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**THE NATIONAL
EXPENDITURE
OF THE
UNITED · KINGDOM**

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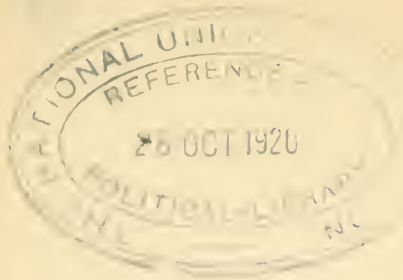
The National Expenditure of the United Kingdom.

WITH
A PREFACE BY
F. W. HIRST.

PRICE ONE SHILLING.

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1911.



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PREFACE.

SHORTLY after the publication of Lord Charles Beresford's open letter to the Prime Minister demanding another orgy of wasteful expenditure I submitted to Mr Asquith and to the Chancellor of the Exchequer a memorandum—in the compilation of which I was greatly assisted by my colleagues on the staff of the *Economist*—on the actual and prospective state of our finances, with special reference to the size and cost of the Navy. That memorandum is the basis of the little book I am herewith presenting to the public in the hope that it may be the means of promoting large economies in the public service. It should be especially useful now, while the Estimates for next year are being framed, to render a comprehensive account of our National Finances for the benefit of those whose efforts to stem the tide of public extravagance are too often baffled in a labyrinth of Blue-books. The old habit of watching and criticising the waste of public money ought to be revived. Members of the House of Commons, without distinction of party, should welcome and make use of this manual, and they will, I trust, find it not only a guide to the Estimates, but a guide to lower Estimates and lower taxes in the future.

There is always room for economy. There is always need for criticism of public departments, for the simple reason that in a public department there is no responsible person who has any pecuniary interest in keeping expenditure down, or even in making sure that the public gets value for the money received and spent. True, the Auditor-General is a check upon actual illegalities and misappropriations; and the Treasury,

if it has a thrifty and resolute chief, can do something for the taxpayer. When Gladstone was in his prime he contrived to infuse his own stern sense of responsibility for public monies into almost every department of the State. In those days officials in the Army, the Navy, and the Civil Service were rewarded not for advertising themselves in the newspapers, not for associating themselves with costly projects, not for inventing grand displays at the national expense, but for maintaining efficiency in their departments and saving money by vigilance and foresight. In those days the Dreadnought (that most diabolical device for enlarging the profits of armament companies all over the world) would never have seen the light. More than once naval lords and experts and designers and contractors got together for no other purpose; but they were frustrated. Now, with the help of their journalists and their dockyard politicians, they have succeeded, and the measure of their success is the measure of the national and international loss. Ultimately, of course, an international solution will be found. The idea of two Powers building Dreadnoughts at a certain ratio to an unlimited extent until they are both bankrupt has not come to stay. An arrangement like that between England and France which did so much for peace and economy after 1815 will be made again, probably in the form of an International Convention.

But just now, with a fresh set of Estimates and a new Budget in view, our concern is how we can best look after our own interests, remembering always that excellent motto of Disraeli, "the more you reduce the burdens of the people in time of peace the greater will be your strength when the hour of peril comes."

It is the opinion of eminent authorities, some with long experience of Treasury finance and others with long experience of Cabinet Government, who have been

consulted by the writer, that the only remedy for this perilous growth of expenditure—the only means by which the newly imposed burden can be removed—is to break with the new method and return to the old tradition. The new method is for the First Lord of the Admiralty and the Secretary for War to find out from their subordinate admirals and generals, as well as from eagerly co-operating experts and contractors, how much public money they might hope to dispose of within the year. This fixes the maximum demand, which is always ahead of the year before. Then the First Lord and the War Secretary consider the political horizon, the attitude of the Press, the growls of the economists and the demands of the Labour members. After this, their financial assistants are asked to cut off a few thousands here and a few there. The Estimates are brought down to “an irreducible minimum.” A letter is sent to the Treasury explaining what extraordinary economy has been observed in framing the Estimates. In December or January the Treasury is allowed to prune down the irreducible minimum. Then, perhaps, if the Chancellor of the Exchequer finds that the revenue is not coming in very well, and that some small sop is needed to propitiate the taxpayer, or the social reformer, he begs for another half-million. If the Prime Minister supports him this concession is reluctantly made after the Cabinet has been almost frightened out of its wits by dire threats from generals, admirals, and other warlike officials, and by inspired sensations in the Opposition newspapers. The old tradition was totally different. Sir Robert Peel, Lord Palmerston, Lord Beaconsfield, and Mr Gladstone would never have dreamt of allowing the balance of the national Budget to be upset by the head of the Admiralty or War Office, much less by the naval and military officials attached to those departments. The amount that could be

allotted to the Army and Navy was arrived at by the Prime Minister and the Chancellor of the Exchequer in consultation with their leading colleagues. When that amount had been decided its allocation was entrusted to the First Lord and the Secretary for War, who endeavoured, according to their capacity and industry, with the assistance of their expert advisers, to see that it was laid out to the best advantage. The old function of the paid expert was to assist in securing efficiency and economy in the administration of the sums allocated by the Government and the House of Commons. It was for the Prime Minister and his colleagues, as trustees of the national purse, to decide what should be the scale of taxation and expenditure. But now the expert claims to be the master instead of the servant of the public. He is backed by the Opposition, which criticises the Government not for spending too much but for spending too little. He "runs" the First Lord and Secretary for War, bullies the Cabinet, and if his views are not fully adopted fills columns of the Press with complaints against economy. The Prime Minister is still allowed to deplore the burden of armaments, but if any measure of substantial retrenchment is proposed an outcry is immediately raised by the half-pay officers and the Yellow Press.

There is ample scope, as we shall show, for savings in armaments, and there is no other way to reduction of war taxes and the fulfilment of a social programme. The Government should go back boldly to the old tradition. It should declare its intention to revert gradually to the policy of maintaining our establishments on a peace footing, and it should explain fully to the people why this policy is justified—nay, imperatively required, and what benefits will flow from it to the capital, labour, and credit of the country.

The naval expert's favourite plea has been that

this country is in danger of a German invasion, because their fleet is rapidly approaching ours in strength. If this plea be accepted as a ground for entrusting more public money to the present Board of Admiralty, there ought to be no hesitation in the public mind as to the first step. Assuming the statements as to the danger we were in last spring to be true, there ought immediately to be a clean sweep of the whole Board, or, at least, of all those chief officials who can be made responsible for the expenditure of public money during the last ten years. The First Sea Lord now declares that there is no danger ; and the figures supplied by Mr M'Kenna regarding the German Navy have proved false. But those statements were the basis for an addition of more than five millions to the annual cost of our Navy ! If the false statements had been followed by an ample apology, if the Estimates had been withdrawn, or " deplementary " Estimates introduced the public critic might have condoned the Minister. Most men under such circumstances would have resigned. But what if these fraudulent Estimates—fraudulent because they were based upon fabrications—should now be made a pretext for further " automatic " increases ? Are these millions stolen from the taxpayers to be a kind of snowball gathering more and more of the national capital away from fruitful trade to melt away under the sunshine of superfluous patronage ? One great cause of our difficulties is that for the last five years there has been no criticism of public expenditure by the Opposition. They have been asking for more, partly, perhaps, in the hope of making Tariff Reform " inevitable." The Conservative party, which at one time was really conservative of the national resources, has consistently attacked the Government, not for spending too much, but for spending too little. In our Naval Estimates of the last two years Mr M'Kenna

practically took his programme from what has been well called "the blue funk school." His last exploit added $5\frac{1}{2}$ millions, a third of the interest on our funded debt. Germany has not responded to this provocative challenge. The German naval estimates published in November showed an increase of only £825,000. Surely, this should suggest a retrenchment on our side, even if the Foreign Office is unable or unwilling to come to a friendly understanding with the authorities in Berlin.

Finally, let me remind the taxpayers of the United Kingdom that during the Boer War and since its close there has been an unprecedented enlargement of expenditure by public departments. We are spending eight pounds for every five that we spent in 1895. When such a thing happens in a great business or railway company a critical examination invariably detects many unproductive items which can be cut down without loss ; and where such an examination does not take place the result is invariably disastrous to shareholders. What might be hoped for from a severe scrutiny of public expenditure is indicated by what happened in the Stationery Department, where the inquiries of a recent Committee resulted, I understand, in a saving of 10 per cent. (Did one of them receive the slightest recognition?) A saving of 10 per cent. on the Military, Naval, and Civil Services would yield twelve millions a year.

F. W. HIRST.

Economist Office, January 16th, 1911.

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THE NATIONAL EXPENDITURE.

CHAP. I.—THE GROWTH OF EXPENDITURE. —A GENERAL SURVEY.

If we compare the expenditure of the nation in the past year or two with the expenditure at ten year intervals during the last fifty years we find that it had increased at a rate far outrunning the increase of population. While the Government was content to spend a sum amounting to £2 7s 6d per head of the population in 1857, it now mulcts the taxpayer to the extent of £3 5s 4d per head. It will be seen from the following summary that this increase has been shared by all the great spending departments. The Army made a big advance in the first decade, was steady for forty years, and obtained a most alarming increase during the South African War. The Civil Service charge has risen as the natural result of multiplied and enlarged activities, and advance has been especially heavy in the last two decades. But the Civil Service

includes education, poor law, the improvement of roads and health, and many other services which conduce to national well-being. It stands on a very different economic level from armaments, which represent the workings of international discord and jealousy. Thus in the last 32 years the cost of the Navy has almost trebled. With a falling birthrate and a slowly increasing population, the increase of expenditure must be checked if it is not to become an intolerable burden.

Year.	Army.	Navy.	Civil Service.	National Debt and Other Services.	Post Office and Revenue. (a)	Total National Expenditure. †	National Expenditure per Head of the Total Population.
	£	£	£	£	£	£	£ s d
1857-8	14,405,000	10,530,000	10,147,000	28,627,000	4,359,000	68,129,000	2 7 6
1867-8	17,419,000†	11,169,000	11,194,000	26,572,000	4,883,000	71,237,000	2 6 6
1877-8	17,782,000*	10,785,000	15,624,000	28,413,000	7,776,000	80,380,000	2 7 4
1887-8	18,283,000	12,325,000	19,852,000	26,214,000	10,749,000	87,423,000	2 7 5
1897-8	19,330,000	20,850,000	23,446,000	25,000,000	14,310,000	102,936,000	2 11 0
1907-8	27,115,000	31,141,000	32,152,000	29,500,000	20,749,000	140,657,000	3 3 2
1908-9	26,840,000	32,188,000	34,008,000	28,000,000	21,433,000	142,468,000	3 3 4
1909-10	27,236,000	35,807,000	41,663,000	21,758,000	22,035,000	148,479,000	3 5 4

(a) Including the total expenditure of the Post Office, Customs, and Inland Revenue Departments.

* Includes £3,500,000 vote of credit for Russo-Turkish War.

† Includes £2,000,000 for Abyssinian War.

The total figures, it is true, are swollen by Post Office expenditure, which is more than covered by revenue from stamps, &c.

THIS YEAR'S EXPENDITURE.

Owing to the immensely increased vote for the Civil Services and the Navy, the estimated expenditure of this year shows an enormous jump of nearly fourteen millions beyond the actual expenditure of the financial year ending March 31, 1910. The following figures

accompanied Mr Lloyd George's Budget statement of April 29th :—

	Estimated Expenditure of 1910-11. £		Increase or Decrease over Actual Expenditure. 1909-10. £
National Debt Services.....	24,500,000	.. +	2,742,000
Other Consolidated Fund Services..	1,646,000	.. -	8,000
Payments to Local Taxation Accounts, &c.	10,745,000	.. +	1,300,000
Total Consolidated Fund Services	36,945,000	.. +	4,088,000
Army.....	27,760,000	.. +	524,000
Navy.....	40,604,000	.. +	4,797,000
Civil Services	42,686,000	.. +	2,676,000
Customs and Inland Revenue.....	4,024,000	.. +	682,000
Post Office Services	19,828,000	.. +	1,135,000
Total Supply Services	134,912,000	.. +	9,824,000
Total Expenditure.....	171,857,000	.. +	13,912,000

EXPENDITURE SINCE 1897.

Turning now to the expenditure of the last twelve years, we take, first of all, the Consolidated Fund Services, which fall into two divisions, the first being set apart for the National Debt. This service again subdivides under four heads :—

I A.—NATIONAL DEBT SERVICES.

	1897-8. £		1909-10. £		Difference. £
(a) Funded Debt—					
1. Interest	16,063,920	..	15,490,800	.. -	573,120
2. Terminable Annu- ities	7,261,160	..	3,526,140	.. -	3,735,020
(b) Unfunded Debt—					
Interest	139,300	..	1,567,110	.. +	1,427,810
(c) Management of the Debt	174,310	..	173,610	.. -	700
(d) New Sinking Fund....	1,361,310	..	1,000,000	.. -	361,310
Total.....	25,000,000	..	21,757,660	.. -	3,242,340

It may be mentioned that, in spite of the reduction of interest from $2\frac{3}{4}$ to $2\frac{1}{2}$ per cent. which occurred in the

interval, taxpayers were paying in 1907 a debt charge $4\frac{1}{2}$ millions greater than ten years previously. And if the interest on Works Debt had been added, the showing would have been much worse. But the Liberal Government has effected large reductions of debt, and now with a reduced charge there is still a substantial and operative Sinking Fund provided for in Mr Lloyd George's 1910 Budget.

The second division of the Consolidated Fund Services comprises the following items:—

I B.—OTHER CONSOLIDATED FUND SERVICES.

	1897-8.		1909-10.		Difference.
	£		£		£
(a) Civil list.....	408,289	..	470,000	..	+ 61,711
(b) Annuities & pensions	291,109	..	265,270	..	— 25,839
(c) Salaries & allowances	79,560	..	72,330	..	— 7,230
(d) Courts of Justice ..	512,483	..	518,560	..	+ 6,077
(e) Miscellaneous services	344,553	..	327,390	..	— 17,163
(f) Expenses under Coin- age Acts 1891 & 1893	250,000	..	..	..	— 250,000
Total	<u>1,885,994</u>	..	<u>1,653,550</u>	..	<u>— 232,444</u>

The Civil List (which represents about half the charge on taxpayers for supporting the King and the Royal household) exceeds by more than £61,000 that of Queen Victoria, and is practically a reproduction of that of King Edward. Perhaps the worst feature of the new settlement was the release of the King from income-tax, which had been paid by Queen Victoria and King Edward ever since its introduction by Sir Robert Peel.

The second branch of expenditure is classified under the head of Supply Services, and here the outlay is entirely under the control and purview of Parliament and of the Government. The first three items, of course, command special attention, for it is upon the

movement of these that the increase of taxation mainly depends.

II.—SUPPLY SERVICES.

	1897-8.	1909-10.	Difference.
	£	£	£
(1) Army Services	19,330,000	27,236,000	+ 7,906,000
(2) Naval Services	20,850,000	35,807,000	+14,957,000
Total Army and Navy....	40,180,000	63,043,000	+22,863,000
(3) Miscellaneous Civil Services	21,560,000	40,010,000	+18,450,000
(4) Customs	850,000	*2,116,000	} + 597,000
Inland Revenue	1,895,000	*1,226,000	
(5) Post Office Services	11,565,000	18,693,000	+ 7,128,000
Total Supply Services ..	76,050,000	125,088,000	+49,038,000

* Excise transferred from Inland Revenue to Customs, 1909-10.

Without attempting to enter into details as to the above increases, we must again mention that the Post Office does not impose a burden on the taxpayer, but relieves him, as the revenue largely exceeds the expenditure. The major part of the huge addition to Miscellaneous Service is due (as will appear later) to Old-age Pensions. The movement of Postal revenue will be seen from the following:—

GROSS REVENUE.

	1897-8.	1909-10.
	£	£
Revenue from Post Office ..	12,170,000	.. 18,220,000
Revenue from Telegraphs ..	3,010,000	.. 3,090,000
Revenue from Telephones ..	..	.. 1,720,000

The net revenue is obtained by deducting the cost of the Post Office Services from the above figures.

There is one other important item on the expenditure side which illustrates better than anything else the financial profligacy of the last dozen years. In 1897 the vicious system of borrowing for works had already been introduced, but the taste for loan money had not yet been fully acquired by the great spending departments. It ended, as we all know, by swallowing up

the Sinking Fund, thus giving the finishing touch to that heavy depreciation of public credit which the Boer War, with its enormous additions to the Funded and Unfunded Debt, had begun. Mr Asquith's policy produced a marked improvement; for in 1907-8 public borrowing had sunk below three millions, having exceeded eight in 1904-5 and six millions in 1905-6. This year the borrowing is only a million, a substantial improvement even upon 1897-8. The present Chancellor of the Exchequer and his predecessor in office deserve immense credit for cutting down these mischievous loans for works, and we wish the Telegraph Service could be compelled to equip itself out of profits. The following table illustrates these capital issues:—

III.—ISSUES TO MEET OTHER EXPENDITURE.

	1897-8.	1909-10.	Difference.
	£	£	£
(1) Under Barracks Act, 1890	300,000	..	— 300,000
(2) Under Telegraph Acts, 1892-1907	160,000	950,000	+ 790,000
(3) Under Uganda Railway Act, 1896	595,000	..	— 595,000
(4) Under Public Offices and Buildings Acts	350,000	230,000	— 120,000
(5) Under Naval Works Acts, 1895-1905	596,000	..	— 596,000
(6) Under Military Works Acts, 1897-1901	750,000	100,000	— 650,000
Total borrowings	2,751,000	1,280,000	— 1,471,000

The remaining issues from the Exchequer, comprising "advances for bullion," issues for the redemption of Debt, and Treasury bills paid off subject to renewal, raise technical difficulties, and we shall leave them on one side, as they do not really belong to our subject.

LOCAL EXPENDITURE.

The accounts of local authorities necessarily take a longer time to consolidate than the national accounts, and the latest figures given in the Statistical Abstract for last year are for 1907-8. The following table shows

the growth in rates and in borrowing in England and Wales. The loans raised in 1906-7 were less than in either of the previous six years, and the rise in the estimates for 1907-8 is quite negligible. Mr Burns has consistently used the authority and influence of the Local Government Board to check the excessive habit of borrowing, which, if continued, must have endangered the credit of several local authorities:—

Sources of Receipts.	LOCAL AUTHORITIES—RECEIPTS.		
	1897-8.	1906-7.	1907-8.*
	£	£	£
From rates	77,605,368	59,557,199	59,623,513
From loans	14,482,710	20,393,901	20,686,656
From other sources..	31,539,175	58,341,354	59,796,985
Total receipts ..	83,627,253	138,292,454	140,107,154

* Provisional figures.

A great increase in expenditure has taken place in the department of the poor law, and here again the consequences of the Boer War are plainly reflected.

EXPENDITURE by UNIONS and PARISHES ON POOR RELIEF.

	£		£
1895-6	12,282,741	1903-4	16,493,952
1896-7	12,532,572	1904-5	17,066,898

The actual movements in pauperism will be seen from the following figures, which show the number of paupers in receipt of relief in England and Wales at the end of December:—

	Total Number.	Ratio per 1,000 Inhabitants.
1896.....	735,194	23·9
1897.....	733,689	23·5
1898.....	715,741	22·7
1899.....	699,634	21·9
1900.....	693,715	21·5
1901.....	712,382	21·8
1902.....	729,600	22·1
1903.....	744,658	22·3
1904.....	816,216	24·2
1905.....	805,643	23·6
1906.....	798,778	23·1
1907.....	800,101	22·9
1908.....	834,492	23·6
1909.....	820,493	22·9

THE NATIONAL DEBT.

It will be useful and instructive to compare the history of the National Debt, meaning thereby what are called in the Treasury return "the total aggregate gross liabilities of the State," during the seven years preceding the South African War and the seven years succeeding it. The following table, taken from the return issued on April 26th by the Treasury, gives (1) the gross liabilities; (2) the sums borrowed, or liabilities created during the year, and (3) the net increase or reduction during the year:—

Financial Year.	Aggregate Gross Liabilities on April 1st.	Liabilities Created During the Year.	Net Increase (+) or Decrease (—) of Aggregate Gross Liabilities in the Year.
	£	£	£
1892-3.....	677,069,062	2,056,000	— 5,949,125
1893-4.....	671,119,937	1,735,000	— 3,829,222
1894-5.....	667,290,715	760,000	— 8,289,163
1895-6.....	659,001,552	1,088,550	— 6,715,186
1896-7.....	652,286,366	694,114	— 7,114,841
1897-8.....	645,171,525	..	— 6,354,018
1898-9.....	638,817,507	3,932,336	— 3,423,773
1903-4.....	798,349,190	7,305,000	— 3,851,090
1904-5.....	794,498,100	11,757,432	+ 2,238,391
1905-6.....	796,736,491	5,564,000	— 7,746,304
1906-7.....	788,990,187	5,555,000	— 9,825,483
1907-8.....	779,164,704	2,994,000	— 16,838,653
1908-9.....	762,326,051	2,636,155	— 8,204,742
1909-10	754,121,309	1,280,000	+ 8,342,316
1910-11	762,463,625	..	..

The progress of the Works Debt (mainly for military and naval purposes) has now happily been checked.

CHAPTER II.

OUR NAVAL EXPENDITURE.

WE shall now deal first and foremost with the great topic of naval expenditure, for it is to the heavy and in many respects unnecessary and provocative demands made by the Admiralty that most of our present and prospective difficulties in the region of national finance are mainly due. It will be well first to exhibit the history of the subject.

HISTORY NAVAL EXPENDITURE.

From 1857 to 1887 Naval expenditure was almost stationary, and at the last-named date the British Navy cost only two-thirds as much as the Army. In the next decade it overhauled the Army. Between 1897 and 1907 (the disastrous decade which included the Boer War) Naval expenditure rose from 22 to 31 millions, while military expenditure rose from 18 to 28 millions. Yet common prudence would suggest that expansion in one department should be offset by economy in the other. The cost of our Army depends, or is supposed to depend, on the work it has to do—in India, Africa, &c.—and its size bears no relation to the conscript armies of continental nations. But the size and cost of the Navy are regulated professedly by the size or estimated fighting strength of the navies belonging to other nations. In the earlier part of the nineteenth century, it was practically an accepted maxim on both sides of the Channel that the British

fleet should stand to the French fleet in the proportion of three to two. As Cobden once showed, by a series of statistical proofs covering the period from 1816 to 1860, "in comparing the expenditure of the two countries, it will be observed that they almost invariably rise and fall together." Thus if we added to our fleet, France added to hers, in the belief that her diplomatic position would be weakened if she submitted to a smaller proportion than two to three. Under a restless and unconstitutional Emperor like Napoleon the Third, France played a rather aggressive and domineering *rôle* in Europe. She drove Austria out of Italy, invaded Mexico, and finally declared war on Prussia. It was only natural, therefore, that British statesmen should take care to maintain an ample margin of naval supremacy, and this margin all parties held to be a superiority of about 50 per cent. on paper. Occasional outbursts of panic and excitement made very little impression upon our Governments. Statesmen kept their heads. The leading newspapers were conducted with prudence and moderation, and up to 1885, the Naval votes seldom exceeded $10\frac{1}{2}$ millions. In fact, at that time, the Navy cost less than the Army, and about one-third of what it costs now. Twenty-five years ago, however, an agitation was fomented by Mr Stead and others, who declared that our naval expenditure was not large enough. It was declared that a readjustment of the naval balance had become necessary, and eventually the formula of the two-Power standard was invented in order to give a plausible excuse for naval expansion. So our expenditure began to rise. The

thirteen millions point was passed in 1886, and in 1889, with a million transferred from the Army vote, the figure nearly reached seventeen millions. This increase, of course, invited France to fresh efforts, and the French vote rose from eight to ten millions in 1892, while Russia was spending a little over five millions. Great Britain, however, went on forcing the pace, and our Estimates went forward by leaps and bounds, passing 20 millions in 1897, and 25 millions in 1899. In that year the French vote reached 12 millions, at which figure it remained practically stationary. Russia now joined in the race, increasing her naval votes from six millions in 1897 to eleven millions in 1901. We may now see what was our own expenditure just before the South African War, with the numbers of men and shipbuilding contracts, as given in the Navy Estimates, which did not include appropriations in aid or expenditure out of borrowed money.

NAVY EXPENDITURE BEFORE the WAR.

Year.	Numbers.	Shipbuilding Contracts. £	Total Expenditure. £
1896-7	91,507 ..	5,292,911 ..	22,271,902
1897-8	96,925 ..	3,553,649 ..	20,848,863
1898-9	103,330 ..	4,864,295 ..	23,880,875

The South African War broke out in October, 1899. The ill-feeling aroused by that war on the Continent, and the fear of intervention by the European Powers while our troops were in Africa, caused further sensational additions to the Navy. Including the amounts borrowed for new works, the expenditure reached the unparalleled figure of 31 millions in 1900, or three times as much as had been demanded when Lord Goschen, the First Lord, served his apprenticeship at the Admiralty as Mr Goschen in 1871. Immense sums, borrowed with fatal facility, were sunk in docks, basins, dredging, and other works, in all parts of the world,

many of which have been abandoned as useless, or admitted to be unnecessary. This, we may add, is the usual result of spending money which is borrowed and not raised immediately by taxation. The Admiralty and the War Office are only the biggest examples of the relation between waste and borrowing. Town councils have often frittered away the money borrowed from posterity in the same way, though not to the same extent, as the Admiralty and the War Office.

With the establishment of peace in South Africa, with the return of the Army to Great Britain, and with the dying down of anti-English sentiment on the Continent, our naval outlay should have declined as the dangers of 1900 disappeared. Nothing of the kind happened. We forced the pace, and Germany was at last induced to enter the field of rivalry. How expenditure went on growing the next table indicates :—

Year.	Numbers.	Shipbuilding Contracts.	£	Total Expenditure.	£
1899-00	108,595	..	5,111,279	..	25,731,220
1900-1	112,429	..	6,931,654	..	29,999,529
1901-2	117,116	..	6,794,326	..	30,981,315
1902-3	121,870	..	7,601,950	..	31,003,977

Then came further and even more important changes in the international situation. In 1904 the war between Russia and Japan resulted in the extinction of the Russian navy, and so made the old two-Power standard a meaningless formula. France became more friendly towards us. A prospect of retrenchment was opened up ; for not only had the Russian naval bogey been destroyed by Japan, but an *entente cordiale* had been effected with France, and two long-standing differences had been finally settled by the French recognition of our position in Egypt, and by ours of the French position in Morocco. In the Far East an alliance with Japan brought another strong fleet into partnership

with our own, and relieved us of all possible anxiety in the Pacific Ocean. Our natural friendship with the United States was being steadily strengthened under the auspices of Mr Bryce. On the continent of Asia all possibilities of difference with Russia were removed by an agreement with the Russian Government, and although many people in England disliked the idea of association with a despotic Power, no one could deny that the agreement made for peace, and might have been used in the interests of economy.

These four events were each and all events which should have reassured us, and have prepared the way for a reduction in naval armaments. Economy in armaments was the great cry of Liberals, from Sir H. Campbell-Bannerman and Mr Asquith downwards, and there was no more severe and uncompromising advocate of thrift than Mr M'Kenna. To a slight extent this was realised by the Admiralty in the last year of Mr Balfour and again under Sir Henry Campbell Bannerman, for it decided to reduce both the Mediterranean and China Squadrons, recalling eight out of the fourteen battleships in the Mediterranean and all the four battleships from the Far East. Thus the fighting strength of the home fleet was immensely augmented. A second change in the policy of the Admiralty stopped a considerable source of expense, even if it did not actually add to our fighting strength in home waters. This change was the decision to give up the practice of maintaining great numbers of cruisers in every part of the world. Many of these "protected cruisers" were recalled and "scrapped." A further change of policy withdrew one of our naval squadrons from the other side of the Atlantic, its place being taken by a squadron of armoured cruisers with its base in Great Britain, which now and then crosses the ocean. As

a result of this, the West Indian dockyards were abandoned, and a considerable saving effected.

These economies, however, were almost entirely absorbed in new expenditure on construction. All this time prodigious and unparalleled sums were being expended on new ships, so that the British fleet attained a fighting strength absolutely beyond all precedent; the two-Power standard, indeed, was far surpassed, and our fleet rose to something between a three and a four-Power standard. But the craven spirit of the jingoes and panic-mongers rose with this expansion, and with every fresh million they got the naval contractors clamoured for more. Here, then, are the figures from the Naval Estimates of the last eight years:—

NAVY EXPENDITURE AFTER the WAR.

Year.	Numbers.	Shipbuilding Contracts. £	Total Expenditure. £
1903-4	125,948	10,832,371	35,709,477
1904-5	130,490	10,071,514	36,859,681
1905-6	127,667	7,781,483	33,151,841
1906-7	127,431	8,388,514	31,472,087
1907-8	127,228	7,452,262	31,251,156
1908-9	126,935	7,174,464	32,181,309
1909-10 (estimate) ..	128,000	8,278,300	35,142,700
1910-11 (estimate) ..	131,000	12,395,400	40,603,700

Why is it, then, with these facts before us, that our Navy has not been put upon a peace footing, maintained, of course, in full efficiency, but yet not continually in a state of provocative expansion and restless increase? The official answer is found in the rise of a new naval Power. Until a few years ago the German Government contented itself with the possession of the most powerful and best organised army in the world; but more recently, alarmed, perhaps, by the close alliance between the two great military nations on the Eastern and Western frontiers, and also by the

“isolation” which is supposed to be the result of a malign British diplomacy, it has turned its thoughts to sea power. For this change the Emperor himself may be held mainly responsible, for it does not appear to be popular either with the military caste or with the masses of the people, if we may judge by the growth of the Social Democrats.

Now, the German fleet which has struck such panic is largely imaginary, and the supposed danger is entirely due to the fact that our Admiralty invented the Dreadnought and fostered an impression that this type of ship had superseded all others. It is only by imagining that at some future date Germany may have as many Dreadnoughts as Great Britain that any material for panicky extravagance can be got together. But many eminent authorities, and apparently most of our naval captains and admirals, consider that the Dreadnought type is positively inferior to the King Edward; and no one can be found to suggest that battleships of every other type should be scrapped, which would be the logical consequence of adopting the Dreadnought principle. We have at this moment a splendid fleet, in a state of unequalled readiness, and manned with crews far better trained than those of any other nation. Let us see, in tabular form, exactly how we stand now in comparison with Germany and other first-class naval Powers in first-class battleships and armoured cruisers less than ten years old. The following table, based upon the Dilke return, shows in a comparative form the effective strength of the principal navies, disregarding older vessels and smaller vessels (in which we have an enormous preponderance). Amongst “pre-Dreadnought battleships of modern type” are included all battleships which are as efficient as the British Formidable class, or more so, and in

“pre-Invincibles of modern type” are included all armoured cruisers which are as efficient as the British Cressy class, or more so, corresponding roughly to all ships completed within the last ten years. By excluding ships older or weaker than Formidables or Cressys, we get a fair estimate of the relative strength in first-class modern ships. The Invincible and its improvements are powerful hybrids between the battleship and the cruiser and practically equal to Dreadnoughts in strength:—

STRENGTH OF PRINCIPAL NAVIES IN FIRST-CLASS SHIPS, BUILT, AND BUILDING, ON MARCH 31, 1910.

	Battleships.		Armoured Cruisers.		Total
	Dreadnoughts & Later Types.	Pre-Dreadnoughts of Modern Type.	Invincibles and Later Types.	Pre-Invincibles of Modern Type.	
G. Britain	{ built .. 7	23	3	28	} 73
	{ building 9	..	3 ⁽³⁾	..	
U. States	{ built .. 4 ⁽¹⁾	16	} None	{ 13	} 37
	{ building 4	..		{ ..	
Germany	{ built .. 2	15	None	8	} 36
	{ building 8	..	3	..	
France .	{ built .. None	8	} None	{ 16	} 32
	{ building 6	..		{ 2	
Japan ..	{ built .. 1	9	} None	{ 10	} 24
	{ building 3	..		{ 1	
Italy ..	{ built .. None	6	} None	{ 5	} 15
	{ building 2	..		{ 2	
Russia..	{ built .. None	3	} None	{ 3	} 12
	{ building 4 ⁽²⁾	..		{ 2	

(1) Including the “Michigan” and “South Carolina.”

(2) No progress is being made with these.

(3) Including two ships for Australia and New Zealand.

Mr Bowles said recently of the two-Power standard that it is the kind of notion which attracts a man who wants to relieve himself of thought by putting his

mind in a pigeon-hole and leaving it there. But it is clear from this table that our Navy is stronger than even that standard demands. We are far ahead, and will remain far ahead, of all conceivable combinations of antagonists. It would be quite reasonable for instance, to apply the two-Power standard to a combination of Germany and Austria. But Austria is at present too unimportant for the Dilke Return, and the Austrian Dreadnought myth, conjured up last March by Mr M'Kenna, has now been abandoned as hopeless. The table includes not only ships in commission, but all ships actually laid down, and thus gives an idea of the relative strength of navies not only at the present time, but as far ahead as it is possible to prophesy with certainty. It is the custom at present to attach special importance to the condition of affairs in 1912. The reason for selecting that year is that the present ship-building spurt of four ships a year by Germany will cease after 1911, when only two ships a year will be laid down. On April 1, 1912, the end of the financial year, we shall have 20 Dreadnoughts ready; shortly afterwards the Australian and New Zealand cruiser-battleships will be ready, and in the autumn five new ships will be added, making 27 "capital" ships in all. It is now admitted that Germany cannot have more than 13 Dreadnoughts on April 1, 1912, and four more (those laid down in 1909-10) about the end of the year. By other authorities it is thought that she can have only nine at that date. The best summary of the future position as regards Dreadnoughts is that provided by the Navy League Annual, edited by Mr A. Burgoyne, M.P., from which we extract the following

figures for the leading countries to which we have already referred above:—

NUMBER OF DREADNOUGHT ERA UNITS COMPLETE ON APRIL 1st.

	1910.	1911.	1912.
Great Britain	8	12	20
United States.....	2	4	6
Germany	2	5	9
Franco	nil	nil	6
Japan	1	2	4
Italy	nil	nil	1
Russia	nil	nil	nil
Austria	nil	nil	nil
	<hr/>	<hr/>	<hr/>
Germany + U.S.A.	4	9	15

As to the value of future predictions, "the writer remembers, to his comfort," writes Mr Burgoyne, "that in 1906 the pessimists insisted that a period of danger would be reached in mid-1910; last year, 1912 was to be the time of direct stress; now it is the summer of 1913; something or other, therefore, crops up from time to time which leads the expert or critic periodically to revise his estimate." Thus it is; and what crops up is the growing confidence of those concerned in spending in the absence of all criticism and opposition from those concerned not to spend. For any reasonable person this table of the Navy League Annual should be conclusive that our programme of construction has been allowed to increase beyond what is necessary for perfect security. Number, be it remembered, counts, quite apart from the type or size of the ships, for torpedoes are no respectors of patterns, and "every serviceable ship that carries a good gun may fire a decisive shot." Again, it must be reckoned on our side that we can still build faster than the Germans, and that we have more slips available for the largest vessels; so that we can continue our policy of building from year to year and making alterations and improvements in the design of each successive ship.

THE NAVAL ESTIMATES OF 1909 AND 1910.

To criticise our Naval Estimates usefully, what is really needed is not a Press or Platform agitation conducted by persons who have never even examined the naval Estimates, but a careful analysis of the expenditure. Most people, undoubtedly, fancy that the three million increase of the Navy Estimates of 1909 and the five million increase in 1910 were due to the necessity for meeting Germany's great efforts to follow the example set by us of building gigantic battleships. But in the year 1909-10, in spite of the large increase of the shipbuilding vote, a much smaller proportion of it was expended on battleships and armoured cruisers than in the year previous. The actual expenditure on battleships and armoured vessels for the two last years was approximately as follows :—

	1908-9.		1909-10.
	£		£
Armoured vessels	5,500,000	..	5,027,000
Unarmoured vessels	2,325,000	..	3,940,000
	<u>7,825,000</u>	..	<u>8,967,000</u>

These amounts do not include armaments. They show that although the total expenditure was increased by £1,142,000 a less expenditure was provided on armoured ships by nearly £500,000, and a greater expenditure on unarmoured ships by no less than £1,615,000. The 1908-9 programme started a vast number of unarmoured vessels, viz. :—

Six protected cruisers of 4,800 tons each, to cost probably nearly three millions, of which £1,380,000 will fall upon the year 1909-10.

Thirty-one torpedo destroyers of from 800 to 1,000 tons, to cost about three millions, of which about one-half, or £1,520,000, will fall on 1909-10.

Twenty-four torpedo boats, first class, of 280 tons, of which £56,000 only will fall on 1909-10.

Twenty submarines of 320 tons each, to cost £960,000, of which £324,000 will fall on 1909-10.

We should have thought that it would not be necessary to add to these classes of vessels in the coming year. But provision is made in the Estimates for 1910-11 for six more cruisers of 3,500 to 4,800 tons, of which £389,000 only will fall on 1909-10 and £2,200,000 later—£1,400,000 probably on 1910-11.

All this from the point of view of "the Dreadnought crisis" was money thrown away. Only battleships count in a panic. The whole argument of the Government and of the Front Opposition Bench turns on battleships. But even so Mr M'Kenna was not content. He asked also for twenty more torpedo destroyers. The cost of these was probably as much as those provided in 1908-9—viz., £2,000,000, of which only £100,000 is provided in 1909-10, leaving £1,900,000 for 1910-11. Even so, the taxpayer's cup was not full. He had to subscribe for ten more submarines, to cost about £500,000, of which only £70,000 is provided, leaving £430,000 for 1910-11.

Hence we had on hand in 1909-10 :—

- 12 Protected cruisers of 3,500 to 4,800 tons.
- 51 Torpedo destroyers of 800 to 1,000 tons.
- 24 Torpedo boats of 280 tons.
- 30 Submarines of 320 tons.

These figures are stupendous, and we may well ask why a Government which wished to combine security with economy should have hurried on 117 small craft which do not count with the naval alarmists. Apparently the best naval opinion and common sense agree in preferring a somewhat smaller battleship which can enter all our ports to the Dreadnought which cannot. But we strongly advise the economists in Parliament to concentrate their criticisms against this enormous and excessive expenditure on unarmoured ships built, many of them for commerce de-

struction. The aggregate cost of these 117 vessels will be about £13,000,000, and a large part of it will remain over for 1910-11 and later years.

“The programme of unarmoured vessels seems to me to be a very bad one,” wrote a competent and experienced critic of naval administration. “I cannot believe it is necessary to build six more cruisers, twenty more torpedo destroyers, and ten more submarines. We have already on the Navy list 141 torpedo destroyers, 13 ocean torpedo destroyers, 42 submarines, and any quantity of protected cruisers, large and small. Why should we add so enormously to their number in the two years 1908-9 and 1909-10?”

If battleships are the crying need, why not postpone the construction of smaller vessels, which can be built rapidly at a later date? It should be recalled that the German shipbuilding programme is to be spread over a great number of years. It will not be completed till 1920, by which time they may have 33 of these big ships. But during the first half of this period they are to be built at the rate of four a year, and in the second half at two a year. The pressure, therefore, on the British Admiralty to meet these German battleships will be greatly reduced in 1915. In cruisers we are enormously preponderant. Why go on building them unless there is some secret understanding between the experts and the contractors?

PARTICULARS OF INCREASE IN 1910.

Let us now give the official explanations of the chief differences between the Estimates of 1909 and 1910 which form the preface to the bloated Estimates of 1910:—

VOTE 1.—WAGES, &C., OF OFFICERS, SEAMEN, AND BOYS, COAST GUARD, AND ROYAL MARINES.—Increase, £109,200. Due principally to provision for larger numbers of subordinate and warrant officers, petty officers, men, and boys, for variations in average rates of pay of commissioned officers and for

greater expenditure on account of good conduct pay and of extra pay to officers and men employed in submarine and torpedo boats; modified by reductions in numbers of flag and commissioned officers, coast guard, and Royal Marines.

VOTE 2.—VICTUALLING AND CLOTHING FOR THE NAVY.—Increase, £83,500. Increased requirements for wages of artificers, &c., and of police in victualling yards and of crews of victualling yard craft, for lighting and water services, for mess traps, seamen's clothing, soap, and tobacco, and for freight, &c.; modified by decreased provision for the construction and repair of victualling yard craft, for provisions, allowances in lieu of provisions, miscellaneous stores, Marine clothing and appointments, and for Marine barrack stores, and by an increase in appropriations in aid.

VOTE 3.—MEDICAL ESTABLISHMENTS AND SERVICES.—Increase, £5,200. Due to increased requirements for salaries and wages of staff of medical establishments and for hospital provisions, and to a decrease in appropriations in aid; modified by decreased requirements for water and lighting services at medical establishments and for subsistence of seamen, &c., at sick quarters. In addition to the cash expenditure, estimated at £263,900, stocks of medical stores purchased in previous years will be drawn upon without replacement to the extent of £800 (estimated).

VOTE 7.—ROYAL NAVAL RESERVES.—Increase, £5,500. Increases in respect of the Royal Fleet Reserve and the Royal Naval Volunteers due to increases in numbers; modified by reduced requirements on account of the Royal Naval Reserve, owing to a reduction in numbers and to the extended application of the revised system of training.

VOTE 8.—SHIPBUILDING, REPAIRS, MAINTENANCE, &C.—SECTION I.—PERSONNEL. Increase, £295,900. Increased requirements for new construction and for repairs, &c., of the fleet.

SECTION II.—MATERIAL.—Increase, £222,000. Due to increased requirements for structural materials, general stores for the fleet, freight of stores, fuel and lubricating oils for the fleet, coaling machinery and new coaling craft, maintenance of coaling craft, &c.; modified by reduced requirements for coals for yard purposes and by an increase in appropriations in aid. In addition to the cash expenditure, stocks of naval stores purchased in previous years will be drawn upon without replacement to the extent of £20,000 (estimated).

SECTION III.—CONTRACT WORK.—Increase, £4,117,100. Increased requirements for propelling machinery, hulls of ships, armour, repairs, &c., of ships, inspection of contract work and for machinery, &c., for shore establishments; modified by reduced requirements for auxiliary machinery, gun mountings, fixed machinery. (formerly provided for by advances under the Naval Works Acts, 1895 to 1905), and for purchase of ships, &c.

VOTE 9.—NAVAL ARMAMENTS.—Increase, £400,000. Due to increased requirements for wages of artificers, &c., in naval ordnance establishments, for wages, &c., of police, for guns, projectiles, and ammunition, and for torpedoes, and to a decrease in appropriations in aid; modified by reduced requirements for small arms, &c., and for freight and incidental charges.

VOTE 10.—WORKS, BUILDINGS, AND REPAIRS AT HOME AND ABROAD.—Increase, £79,000. Increased requirements for new works, ordinary repairs, and maintenance, grants in aid of works and for stores to be purchased; modified by reduced requirements for salaries, &c., of staff and for purchases of lands and buildings. There is a decrease of £4,000 in the annuity in repayment of advances made under the Naval Works Acts, 1895 to 1905.

VOTE 11.—MISCELLANEOUS EFFECTIVE SERVICES.—Increase, £20,200. Due to increased requirements for passage money, postal and telegraphic communications, lighthouses, lightships, &c., medals for officers, seamen, and Marines, &c., contributions in aid of religious, charitable, and other institutions, wages, &c., of civilians employed on fleet services, and for miscellaneous payments; modified by reduced provision for piloting and towing His Majesty's ships, gratuities for special services, and for allowances to ministers of religion.

VOTE 12.—ADMIRALTY OFFICE.—Apparent increase, £10,600; real increase, £8,720. Additional staff for various departments and progressive increases for length of service; modified by a saving on new appointments to the staff generally.

VOTE 13.—HALF-PAY AND RETIRED PAY.—Increase, £34,300. Increased provision for retired pay and commutation of retired pay; modified by reduced requirements for half pay.

VOTE 14.—NAVAL AND MARINE PENSIONS, &c.—Increase, £42,600. Increased provision for pensions and gratuities to seamen and Marines and for pensions and gratuities for wounds; modified by reduced requirements for pensions to widows of naval and Marine officers, for pensions and gratuities to widows and relatives of officers, seamen, and Marines slain, and for compassionate allowances.

VOTE 15.—CIVIL SUPERANNUATION, COMPENSATION, &c.—Increase, £37,700. Due to anticipated requirements under the Superannuation Act, 1909, to increased provision for superannuation allowances to artificers, &c., and to an increase in the contribution in aid of the fund for pensions of the metropolitan police force; modified by reduced requirements for superannuation allowances and compensation allowances (abolition of office) to salaried officers, for superannuation allowances to coast guard, and for pensions to naval ordnance officers, supervisors, &c.

DETAILED COMPARISONS OF THE VOTES.

The following statement shows the numbers borne and the actual expenditure on Naval Services for the years 1896-7 to 1898-9 (inclusive):—

Year.	VOTE A. Number.	VOTE 1. Wages, &c., of Officers.	VOTE 2. Victual- ling and Clothing.	VOTE 3. Medical Establish- ments, &c.	VOTE 4. Martial Law.	VOTE 5. Educa- tional Services.
1896-7	91,507	£ 4,381,124	£ 1,328,904	£ 144,707	£ 10,959	£ 81,172
1897-8	96,925	£ 4,608,547	£ 1,378,187	£ 154,985	£ 11,345	£ 84,650
1898-9	103,330	£ 4,938,000	£ 1,727,271	£ 165,812	£ 12,079	£ 85,016

Year.	VOTE 6. Scientific Services.	VOTE 7. Royal Naval Reserves.	VOTE 8. Shipbuilding, Repairs, Maintenance, &c.			VOTE 9. Naval Arma- ments.	VOTE 10. Works.
			Section I. Personnel.	Section II. Matériel.	Section III. Contract Work.		
1896-7....	£ 62,241	£ 206,023	£ 2,163,720	£ 2,856,725	£ 5,292,911	£ 2,644,455	£ 475,747
1897-8....	£ 65,715	£ 227,582	£ 2,185,313	£ 2,381,098	£ 3,553,649	£ 2,829,397	£ 618,680
1898-9....	£ 64,675	£ 243,128	£ 2,409,319	£ 3,248,447	£ 4,864,295	£ 2,618,748	£ 730,589

Year.	VOTE 11.	VOTE 12.	VOTE 13.	VOTE 14.	VOTE 15.	VOTE 16.	Balances Irrecoverable.	Total Expenditure.
	Miscel- laneous.	Admir- alty Office.	Half-Pay, &c.	Naval, &c., Pensions.	Civil Pensions, &c.	Naval Force in A'str'Isia.		
1896-7....	£ 209,675	£ 238,474	£ 745,687	£ 1,039,278	£ 326,944	£ 60,621	£ 2,535	£ 22,271,902
1897-8....	£ 295,046	£ 244,652	£ 751,313	£ 1,063,281	£ 332,366	£ 60,482	£ 2,575	£ 20,848,863
1898-9....	£ 264,209	£ 248,198	£ 771,623	£ 1,098,638	£ 337,344	£ 60,829	£ 2,655	£ 23,880,875

The following are the official explanations:—

(1) 1896-7.—Net Increase on Expenditure for 1905-6, £2,634,664. Increased numbers in the Fleet and improved pay to Warrant Officers. Continued increase of contract shipbuilding in consequence of the conclusion of the Naval Defence Act Programme, and in requirements for armaments and reserves for new ships.

(2) 1897-8.—Net decrease, £1,423,039. There was a large falling off of expenditure under Vote 8, owing to the Engineering Strike. There was no diminution in requirements, and the increases under other Votes were due to progressive growth of numbers of the Fleet, to special expenditure in connection with the Diamond Jubilee Celebrations and affairs in Crete, and to the establishment of a Naval Depot at Wei-hai-Wei (Vote 10).

(3) 1898-9.—Net increase, £3,032,012. Increase in numbers borne. Strengthening of Stocks of Victualling Stores and first provision of a reserve of kits for emergency. The requirements under Vote 8 were being more fully met, but were still retarded by the effects of the Labour troubles. Continued increased expenditure on Works due to the provision of Barracks, Hospitals, &c., and the development of Wei-hai-Wei.

The following are the official explanations:—

(1) 1905-6.—Net decrease, £3,707,840. Decrease in numbers. Increased requirements in respect of Wages, &c., of Officers, Seamen, &c. Reduced expenditure on Victualling and Clothing, Medicines, and Medical Stores. Increased expenditure in connection with the training of Naval Cadets and Royal Naval Reserves. Reduced expenditure on the Shipbuilding, &c., programme, on Naval Armaments, and on Works. There was a further annuity of £381,574 under the Naval Works Acts. Reduced charges in respect of Miscellaneous Effective Services. Additional expenditure on Half-Pay, Naval and Civil Pensions, &c.

NOTE.—In addition to the cash expenditure, stocks of stores purchased in previous years were drawn upon without replacement to the extent of £768,850.

(2) 1906-7.—Net decrease, £1,679,754. Increased requirements in respect of Wages, &c., of Officers, Seamen, &c., and in connection with the training of Naval Cadets. Decreased requirements for Victualling and Clothing, Medicines and Medical Stores, Scientific Services, and for Royal Naval Reserves. Reduced expenditure on the Shipbuilding, &c., Programme, on Naval Armaments, Works, Miscellaneous Effective Services, and on Civil Pensions. Further Annuity of £78,497 under the Naval Works Acts and additional expenditure on Naval Pensions, &c.

NOTE.—In addition to the cash expenditure, stocks of stores purchased in previous years were drawn upon without replacement to the extent of £1,024,200.

(3) 1907-8.—Net decrease, £220,931. Reduced requirements in respect of Wages, &c., of Officers, Seamen, &c. Increased requirements for Victualling and Clothing, and for Medicines and Medical Stores. Increased expenditure in connection with the training of Naval Cadets and Royal Naval Reserves. Reduced expenditure on Scientific Services, on the Shipbuilding, &c., Programme, on Naval Armaments, on Miscellaneous Effective Services, and on Civil Pensions. Further Annuity of £120,093 under the Naval Works Acts, and additional expenditure on Works, on Half-Pay, and on Naval Pensions, &c.

NOTE.—In addition to the cash expenditure, stocks of stores, purchased in previous years were drawn upon without replacement to the extent of £1,234,802.

(4) 1908-9.—Net increase, £930,153. Increased requirements for Wages, &c., of Officers, Seamen, &c., for Victualling and Clothing, for training of Naval Cadets, for Scientific Services, and for Royal Naval Reserves. Reduced expenditure on Medical Establishments and Services, on the Shipbuilding, &c., Programmes, on Naval Armaments, on Works, and on Civil Pensions. Further Annuity of £49,630, under the Naval Works Acts. Increased requirements for Miscellaneous Effective Services, for Half-Pay, and for Naval Pensions, &c.

NOTE.—In addition to the cash expenditure, stocks of stores purchased in previous years were drawn upon without replacement to the extent of £551,125.

(5) 1909-10.—Net increase, £2,961,391. Increased requirements for Wages, &c., of Officers, Seamen, &c., for Victualling and Clothing, and for Medicines and Medical Stores. Increased expenditure in connection with the training of Naval Cadets, Scientific Services, Naval Reserves, Naval Armaments, and the Shipbuilding, &c., Programme. A further Annuity of £66,324, under the Naval Works Acts, together with a general increase of expenditure for Works Services, chiefly caused by the transfer to Navy Estimates of certain services previously provided for out of funds raised under the authority of the Navy Works Acts, resulted in increased provision under Vote 10. Increased requirements for Miscellaneous Effective Services, for Half-Pay, and for Naval and Civil Pensions.

(6) 1910-11.—Net increase, £5,461,000.

The most stupendous contrast of all is between this net increase of $5\frac{1}{2}$ millions in the Spring and the German reply in the Autumn—an increase of less than a million. How can any sane person pretend after this that the German menace is anything more than a pretext?

SOME OBJECTIONS TO THE DREADNOUGHT.

When the Admiralty decided that our fleet ought to be superseded in order to be rebuilt, and for that purpose introduced the Dreadnought type of battleships, they did it with such a beautiful combination of secrecy and advertisement, that almost every journalist in the United Kingdom was suddenly inspired to thank heaven for giving us the great Sir John Fisher. How Mr Balfour's Cabinet, when it was persuaded (and Mr Balfour apparently is persuaded) that two Dreadnoughts costing the same are much superior to three King Edwards, could have been so supremely foolish as to sanction the building of the first Dreadnought, we never have been able to conceive. But the time seems to be at hand when naval opinion will pronounce against the monster battleship. For the purpose of returning from the Dreadnought, it would be sufficient if a balance of naval opinion pronounced that three King Edwards are equal in fighting capacity to two Dreadnoughts, or that three improved King Edwards are equal to two improved Dreadnoughts. For if the three cost the same as the two, they have the enormous advantage of being able to enter most of our harbours and docks, whereas the Dreadnought type cannot do so, and enormous and increasing sums will have to be added to the naval estimates for the purpose of deepening harbours, enlarging docks, and so forth.

An Admiral of the Fleet, writing to the *Economist* in regard to the Dreadnought policy, observed:—

“ It is worth inquiring if this expenditure cannot be reduced without impairing the strength of the Navy, or—assuming that reduction is impossible—if the money could not be so spent that our naval strength would be more surely increased than it can be by adherence to our recent construction policy. What we want to know is if the maintenance of our battleship force at its present strength and all necessary expansion of

it cannot be effected in any way but by the continuous production of ships of the Dreadnought kind, progressively changing as it is. It will have been noticed that the ship's particular and, so to speak, personal name has been given to the whole kind. We are not told that such or such a foreign country is building battleships, but that it is building Dreadnoughts, and that we must build Dreadnoughts in reply. There is only one other instance of a particular ship's name not descriptive of employment being adopted as the designation of an entire kind or class. The first specially built armoured turret-ship was called the Monitor, and the name has been used ever since to designate ships of the kind. There is something so interesting and instructive in the parallel use of the two names that attention may well be directed to it. The first Monitor had only just been got ready for sea when an opportunity of widely extending the knowledge of her name occurred. It soon became well known throughout the civilised world. It was assumed that the Monitor, like the Dreadnought more than forty years later, had made every existing man-of-war obsolete. In all the considerable navies of the day and in some of the smaller ones she was promptly copied. It was not perceived for some time that, though promising to be useful in special circumstances not likely to occur often, she had little value for the general purposes of war. Other types, in fact, had to be substituted for that which she represented. To recall some of her characteristics should be interesting at this moment. She had what has lately been called an 'all big gun' armament. She had no secondary battery, but carried only heavy guns in pairs—at first one, then two, and eventually in some ships as many as four pairs. As she was abandoned as universally as she had been imitated, it will hardly be wrong to assert that the imitation was due to a desire to be like other people rather than to reasoned demonstration of the Monitor's supereminent merits.

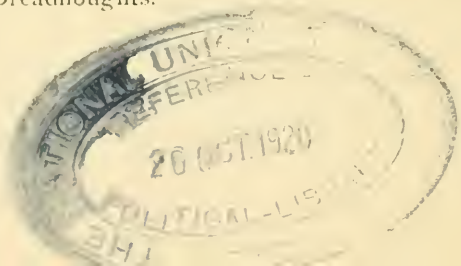
“The Dreadnought type was avowedly introduced in order greatly to surpass in power any previously existing ship. It may be said that generally a new type

is intended to be an improvement on any of older date, but the ship embodying it need not be held to have rendered all predecessors quite or nearly obsolete. That she would do the latter was widely claimed for the Dreadnought. It is, therefore, not very surprising that her special name has been adopted—as that of the Monitor was—to designate all ships of her kind, viz., those of the battleship class. In one important respect the history of the Monitor was repeated in that of the Dreadnought. The latter also was imitated in every considerable navy and some minor navies. Imitation of the Monitor type was due to a general desire to follow the fashion. This at least ought to suggest caution to those who are ready to assume that imitation of the Dreadnought rests upon a sounder foundation. When the latter ship was declared by writers in the newspapers to have made all existing ships obsolete or prematurely obsolescent, it was pointed out that she in her turn might soon be exposed to a similar fate. A few figures will show how this could be. The Dreadnought had an official displacement of 17,900 tons. She was soon followed by the Bellerophon class, with 18,600 tons displacement. Next came the St Vincent class of 19,250 tons. Later we have the Neptune, with a displacement of 20,000 tons or more. As two ships, said to be of 26,000 tons, are being built for the United States navy, we ought—if we still accept the doctrine to which we owe the introduction of the Dreadnought—to assume that the not yet completed Neptune has already been made obsolete or prematurely obsolescent by the American ships. We are likely to be committed to what Sir William White calls the ‘perpetuation on an increasing scale of size and cost of so-called Dreadnoughts.’ There is reason for apprehending that a couple of millions of pounds sterling will be deliberately expended on the construction of each of several ships, which—in accordance with our own widely propagated creed—can be, and will be, rendered almost obsolete before they take the water. This, moreover, does not allow for the increase in expenditure caused by the necessity of making new docks

big enough to admit the new ships, enlarging old docks and basin entrances, or deepening channels.

“It has lately been stated, on good authority, that ‘many naval officers consider the King Edwards to be superior to the Dreadnought in offensive and defensive power.’ The King Edwards are earlier, smaller, and less costly. It may be taken as certain that a still larger number of naval officers believe that the sum of money expended in producing the Dreadnought and her successors, if utilised in a different way, would increase the effective strength of our battleship force much more. It is not necessary to assume that the Dreadnoughts are not powerful ships, but it may be maintained that we could have a more powerful group of ships for the sum that they are costing us or an equally powerful group for a smaller sum. In naval affairs it is specially desirable that means should be proportionate to ends. The substance of a nation may be expended, and largely wasted, in providing not that which is necessary for the work to be done, but that which cannot be utilised to its full capacity. We ought not, of course, to delay the completion of ships already begun or designed, as it would be absurd to say that they are useless. It is, nevertheless, very desirable that a searching investigation into the real utility of the Dreadnought type should be made. At present this at least may be said with confidence—there is no proof that the group of which the type is composed is at all more capable of defeating the battleships of a hostile fleet than a group of far less costly individuals.”

Nevertheless, spurred on by the contractors, who love these huge jobs in ironmongery, the Admiralty goes on enlarging the size of the battleships, and has already produced the Orions, which, of course, “superse-
de” the Dreadnoughts.



CHAPTER III.

THE NATIONAL EXPENDITURE ON THE ARMY.

FROM 1841 until the Crimean War the expenditure upon the Army (including ordnance) remained almost stationary at about nine millions a year; but the revenue grew rapidly with the expansion of commerce and wealth under the influence of Free-trade, the taxes becoming at once fewer in number, less burdensome, and more productive. The Crimean War, of course, changed all this, doubling the income-tax and leaving forty millions of debt behind it; yet it is remarkable how much more easily we bore our share of the cost than our French allies or our Russian foes. In 1857, however, the inevitable reaction after war brought commercial failures and severe unemployment as the winter came on. The great financial question of the day was whether and how far the country should return to its ordinary peace establishments for the Army and Navy. The original Estimates for 1856 were: Army, £34,998,000; Navy, £19,876,000; but as peace was concluded in May, the actual sums spent were £20,811,000 and £13,459,000. Next year, when Parliament met, Lord Palmerston and his colleagues were believed to be in favour of retaining the war taxes, so that they might keep military and

naval expenditure at a high level. Neither Europe nor Asia appeared inclined for peace, and it might have been thought that the moment was ill-suited for any movement in the direction of reduced armaments. But there were strong men in the House of Commons, and the three leading statesmen outside the Government—Lord John Russell, Mr Disraeli, and Mr Gladstone—joined hands in the struggle for economy, and undismayed by the threatening aspect of affairs in other countries, pressed their opinions with a determination and a courage which more modern statesmen seldom display.

OPINIONS OF GLADSTONE AND DISRAELI.

Mr Disraeli began the campaign by announcing that he would move resolutions against the continuance of war taxation. "By so doing," he said, "I think we shall give a great impetus to salutary economy, and shall in a most significant manner express our opinion that it is not advisable that England should become what is called 'a great military nation.'" Mr Gladstone proposed to "grapple with" the Estimates, "not by nibbling at them here and there, but by a general motion taking the sense of the House upon the expediency of saddling the country with such a charge." Lord John Russell quoted the precedent of 1816, when the Estimates were withdrawn and reduced. The three statesmen carried the House with them, and their opinion was practically accepted by the Government; for the Army and Navy Estimates of 1857 only totalled £20,699,000. Then came the Indian Mutiny and the China War, followed by the rising of Italy against Austria, and once more economy was banished. An invasion scare, artfully worked up and supported by Palmerston, also helped to bring up the Army Estimates to £14,970,000 in 1860 and to £600,000 more next year. Even Mr Gladstone's

vehement opposition within the Cabinet, backed by Cobden and Bright outside, could not prevent the commencement of a costly and utterly futile fortification scheme financed by a loan. But this panic, like others, died down, and Mr Gladstone's influence then prevailed, with the striking effect shown in the following figures, giving the total cost of the Army in the years 1862-5 :—

	£
1862.....	16,854,000
1863.....	16,264,000
1864.....	14,723,000
1865.....	14,382,000

The great Chancellor of the Exchequer was then at his best, and successive Budgets showed huge surpluses and generous remissions of taxation. As a natural consequence trade flourished, wages rose, and pauperism declined. From this time until fifteen years ago the policy of low establishments in time of peace, as expounded by Disraeli and Gladstone, was maintained with the consent of both political parties.

Then, after certain "little wars," came Lord Cardwell's reorganisation of the Army, which gave increased efficiency at a lower cost. Moreover, they inspired confidence, so that even the Franco-German War created no panic. A small addition to the Army was naturally made, but our military expenditure went down again to £14,729,000 in 1873, and in 1874 to £14,426,000, or a figure lower than the sum spent on the much inferior force of the sixties. These figures are surely enough to disprove the contention, now so often accepted as an axiom, that a high level of expenditure, when once established, cannot be reduced. For it was done thirty-five years ago, leaving the Army in a better and stronger condition than before; and it can be done again.

After Mr Gladstone came Mr Disraeli, and as his name is associated with a "spirited foreign policy,"

one would naturally expect to find a heavy increase in the cost of military establishments. But the inventor of the word Imperialism, though he had a weakness for display, took care to provide himself with a frugal-minded Chancellor of the Exchequer, and for the first years of his Premiership kept the cost of the Army between $13\frac{1}{2}$ and $14\frac{1}{2}$ millions—in fact, the two services together cost a good deal less than either does now. Various complications, it is true, beset his Administration towards the close of its existence, and produced their usual results in swollen Estimates. Nevertheless, in 1881 Mr Gladstone's second Administration brought the cost of the Army back to £14,680,000. This, however, was the last time that the War Office contented itself with fourteen millions; the gradual rise in cost for the next four years may be traced in the following table:—

	Army Expenditure. £	Secretary for War.
1874.....	13,495,000	.. Mr Gathorne Hardy
1875.....	13,991,000	.. " "
1876.....	14,200,000	.. " "
1877.....	14,479,000	.. " "
1878.....	14,281,000	.. Colonel Stanley
1879.....	16,945,000	.. " "
1880.....	15,025,000	.. Mr Childers
1881.....	14,680,000	.. " "
1882.....	15,738,800	.. Lord Hartington
1883.....	15,133,000	.. " "
1884.....	16,095,000	.. " "
1885.....	18,600,000	.. Mr W. H. Smith

In more ways than one the year 1884 constitutes a turning-point in national finance. It marked the close of the old *régime*, instituted by Sir Robert Peel, and continued by Mr Gladstone, of frugality and financial reforms. The tariff had been reformed, but in a sense very different from that in which those words are now used; hundreds of duties had been swept away, and the yield of the few which survived had increased enor-

mously. England had become the freest and cheapest market in the world, and London the commercial and banking centre of the world. The year 1884 also saw the first naval scare of modern times, ingeniously organised by Mr W. T. Stead and Mr Arnold Forster in the *Pall Mall Gazette*. It was much more reasonable and much less mischievous than the stupendous mania of the last few years.

Increasing expenditure and decreasing vigilance at the Treasury produced its inevitable consequences. The income-tax, after falling as low as 2d in 1875, was gradually raised to 8d, and the reduction of indirect taxation upon the comforts of the poor ceased. But the mania for war expenditure in time of peace had not yet seized the War Office in any violent form. The beginnings were modest. The Egyptian policy required an export of 6,000 men, and the military burden of India was aggravated for no particular reason by a large increase of the garrison. Many wise Anglo-Indians who shook their heads at the time, and declared that India would have been happier, stronger, and more contented if the money had been used to diminish taxes or to improve education, sanitation, and police. The number of men provided for in our own Army Estimates gradually rose from about 140,000 to 156,000, at which figure they stood when Sir H. Campbell-Bannerman was War Secretary—*i.e.*, from 1892 to 1895. The Army Estimates for 1886 were also introduced by Sir H. Campbell-Bannerman; but Mr Gladstone's third Administration only lasted till August, and Mr W. H. Smith became War Secretary. In the autumn of 1887 a sharp contention arose between the spending departments and Lord Randolph Churchill, who as Chancellor of the Exchequer endeavoured to enforce a scheme of retrenchment in the hope of being able to provide in his Budget for a free breakfast-table.

His resignation was not followed by any expansion in the Army expenditure, which, indeed, after being above 18 millions in 1887 and 1888, dropped below 16 millions in 1889, and then settled down at 17 millions odd in the six following years. Here are the official figures of Army expenditure from 1886 to 1895:—

	£		£
1886	17,027,000	1891	17,550,000
1887	18,429,000	1892	17,258,000
1888	18,167,000	1893	17,541,000
1889	15,919,000	1894	17,939,000
1890	17,345,000	1895	17,899,000

The end of this period saw the beginning of the new and insidious plan of “borrowing for works,” which ended after the war in the destruction of the Sinking Fund. The Admiralty at first was the principal offender, but in 1893 the War Office chimed in and began to borrow about half-a-million a year under the Barracks Act of 1890.

FROM 1895 TO THE SOUTH AFRICAN WAR.

We are now nearing an epoch of disaster in the history of our military establishment. The present dilemma of the Chancellor of the Exchequer in his search for a social service fund, the disgust of income-tax payers, the well-founded complaints of the numerous trades that were hit by war duties, the low state of national credit, and the scarcity of loanable capital are all traceable, in whole or in part, to the failure (or refusal) of the War Office and Admiralty to return after the war to anything like the scale of expenditure which preceded the war. If Mr Haldane's Estimates for this year were the same as those of Sir H. Campbell Bannerman in the spring of 1895 Mr Lloyd George could repeal the duties on sugar, coffee, and cocoa, increase the Sinking Fund, and provide without difficulty for invalidity pensions. If Mr McKenna asked for the sum that satisfied Lord

Spencer thirteen years ago the income-tax might stand at eightpence, and the people could enjoy a free breakfast table. Millions of capital that are being vainly consumed in piling up armaments would be restored to the channels of industry, wages would rise, employment would increase, pauperism would diminish, ample funds would be set free for improving the health, physique, and intelligence of the nation. And unless Peel and Gladstone and Disraeli were extravagantly and ridiculously wrong, the real military strength of the nation and its real preparedness for war would be increased instead of being diminished by a reduction of our overgrown establishments and a return to a normal level of peace expenditure. As Sir William Harcourt once observed, it is positively unsafe, from the standpoint of a possible great war, to keep the instrument of taxation "at concert pitch" in ordinary times; the strength of the nation, in war as well as in peace, depends upon the soundness of its finances.

The Estimates for 1895-6 were £17,983,000, an addition of £97,000 for barracks and so forth being more than counterbalanced by reductions on forage and provisions. But immediately after the Rosebery Government left office (in the summer of 1895) the profligate system of supplementary Estimates came into action. A supplementary Estimate for £70,000 was taken by Lord Lansdowne, the new War Secretary, in August, and another for £601,000 was required in the following February. The actual expenditure on the Army for the year ending March 31, 1896, the first year of Lord Salisbury's Administration, was £18,459,000, compared with £17,899,000 in the last complete year of the Liberal Government. In the original Estimates of Sir H. Campbell-Bannerman, issued early in 1895, the total number of men on the establishment of the regular Army, exclusive of India, was 146,249, and the

total regular force, including the staff of the auxiliary forces, the medical service, instructors, and so on, was 155,403, showing practically no change on the previous year. The vote for pay, which, of course, depends on the vote for numbers, and is usually a fair index to changes in the other Army votes, was £6,003,000 in 1895-6, as compared with £5,981,000 in 1894-5. The vote for militia was £560,000, for yeomanry £73,000, and for volunteers £824,000. The total vote for effective services was £14,944,200, and for non-effective services £3,039,600. In the following year (1896-7) the total number of men on the home and colonial establishments, exclusive of those serving in India, was 156,174, and the pay vote amounted to £5,862,000. Owing to a supplementary vote in the previous year the estimate for volunteers dropped to £624,000. The yeomanry vote was unaltered. The militia was reduced to £548,000. "Transport and remounts" figures at £660,000, and "Provisions, forage, and other supplies" at £2,519,000. The total net estimate was £18,056,000, showing a slight increase on that of Sir H. Campbell-Bannerman, but a large reduction on the actual expenditure of 1895-6. Supplementary Estimates, however, again raised the actual above the estimated expenditure. The Estimates of 1897-8 may be taken as a fair indication of the peace level of expenditure before the South African War, but after a Unionist Administration with a surplus revenue had added a little to the establishment maintained by the Administrations of Mr Gladstone and Lord Rosebery. A new West Indies regiment was raised for a war in West Africa, and extra pay was provided for officers. The total force which the Government proposed to add to the Army in order to provide for its "missionary" expeditions (to borrow a phrase used by Mr Jesse Collings at the time) was 7,385, of

which number, however, only 2,590 were to be recruited during the year. The addition to regimental pay was estimated for the year at £77,000; but under Vote 7, "Provisions, forage, and other supplies," came an increase of £33,500, and under Vote 8, "Clothing," an increase of £35,400, the first sum being partially and the second wholly ascribed in the official explanations that accompanied the Estimates to the increasing numbers of the Army. The total Estimates for the year were £18,140,500, showing an excess of not quite £100,000 over the original Estimates for 1896-7, and a slight diminution on the realised expenditure. The following table is taken from the abstract of Army Estimates issued by Lord Lansdowne from the War Office on January 29, 1897:—

I. NUMBERS.—Number of men on the home and colonial establishments of the Army (1897-8), exclusive of those serving in India:—Gross estimate, 163,569; net estimate, 158,774.

II. EFFECTIVE SERVICES 1897-8 ESTIMATES:—

	£
Vote 1—Pay, &c., of Army	5,937,800
Vote 2—Medical establishment	295,800
Vote 3—Militia, pay, bounty, &c.	553,000
Vote 4—Yeomanry, pay and allowances.....	76,000
Vote 5—Volunteers	627,200
Vote 6—Transport and remounts.....	639,000
Vote 7—Provisions	2,553,400
Vote 8—Clothing establishments.....	894,000
Vote 9—Warlike and other stores	2,069,200
Vote 10—Works, buildings, and staff	1,016,400
Vote 11—Education	118,600
Vote 12—Miscellaneous	54,800
Vote 13—War Office salaries, &c.	248,600
Total effective services	15,083,800

III. NON-EFFECTIVE SERVICES:—

Vote 14—Charges for officers, &c.	1,528,800
Vote 15—Charges for men, &c.	1,352,600
Vote 16—Superannuation allowances, &c.	175,300
Total non-effective services.....	3,056,700
Total effective and non-effective services..	18,140,500

This, however, was not the whole estimated expendi-

ture on the Army, for there had to be added various items in the Civil Service Estimates, which brought up the total to £18,457,691. And, further (outside the Estimates, except as regards the interest and sinking fund), there was the loan expenditure for military works, which then amounted to about a million, and was already making heavy inroads on the Sinking Fund for the redemption of the National Debt. The Estimates for 1897-8 have been given in detail in order to show how the last Estimates for a peace establishment before the South African War compared with this year's Estimates, which represent Mr Haldane's *post bellum* peace establishment. As a matter of fact, the warlike disposition of the Government in 1897 and 1898 (which showed itself in Ashanti, Egypt, and the North-West frontier of India) led to large supplementary Estimates; and the actual expenditure for the year amounted to £19,528,390 if we take the figures of the War Office, or £19,329,900 if we take those of the Statistical Abstract. In the following year there was more war and more expansion, so that the Army expenditure for the five years preceding the South African War reads as follows:—

	£		£
1894-5	17,899,800	1897-8	19,329,900
1895-6	18,459,800	1898-9	19,999,700
1896-7	18,269,800		

The official note on the expenditure of 1897-8 explains that the net increases are due "partly to the general increase of the Army and partly to special expenditure in connection with Egypt, South Africa, and Crete," while the note for 1898-9 states: "Transport again increased on account of the Soudan expedition and manœuvres; and there was additional expenditure on medical services, supplies, and stores due to the increase of the Army." It is beyond the limits of our present task to explain the costliness of the small wars

of 1897, 1898, and 1899 ; but the expansion of our military expenditure in those years was clearly the consequence of an expansionist policy at the Colonial and Foreign Offices, as well as of a gradual weakening in Treasury control. The high scale of War Office expenditure now is deliberate, and contrasts sharply with the pacific policy of the Foreign Office.

To find, therefore, how our present peace establishment for the Army compares with that which preceded the war in South Africa, we must take an average of the six years from 1893 to 1899, or the expenditure of 1896-7, or the Estimates of 1897-8. The swollen Army expenditure of the two years preceding the war (£19,329,000 and £19,999,000) represented the beginnings of a new militarist and Imperialist expansion which culminated in the South African policy of Mr Chamberlain. A perfectly fair comparison of the scale which Lord Salisbury's Administration adopted before the war and of that which Mr Balfour's Administration adopted after it is afforded by contrasting the £18,260,000 spent on the Army by Lord Lansdowne in the year ending March 31, 1897, and the £28,849,000 which Mr Arnold Forster (succeeded in December, 1905, by Mr Haldane) spent on the same service in 1905-6. The difference it will be seen exceeds 10½ millions. If the comparison be made with the average expenditure of Sir H. Campbell-Bannerman from 1892 to 1895, the late Unionist Administrations will be found to have added about eleven millions sterling to the annual cost of the Army alone on a peace footing, quite apart from the debt for wars and the debt for works.

THE SOUTH AFRICAN WAR AND ITS LEGACY. 1899-1905.

"War suspends *ipso facto* every rule of public thrift," wrote Mr Gladstone once out of the bitterness of experience, and "tends to sap honesty itself in the

use of public treasure, for which it makes such unbounded calls." The South African War scandals still live painfully in the memory of the nation, but although the public purse was undoubtedly robbed of several millions by swindling contracts and lost several more through the laxity and incompetence of a disorganised War Office and of the officers and officials appointed to superintend supplies in South Africa, by far the greatest of the financial misfortunes suffered by the inhabitants of the United Kingdom is the permanent addition to unproductive expenditure. The additional charge for interest on the debt fixed and floating may be put at from four to five millions, but this has been reduced at an average rate of from £300,000 to £400,000 a year during the last three years by Mr Asquith's large cancellations of debt. The addition made to the burden of armaments was over four times greater, and must prove positively crushing if we should be confronted by another costly war. Between 1895-6 and 1905-6 (when so-called "normal" Estimates were restored) the ordinary expenditure on the Army rose by nearly 10½ millions and on the Navy by over 13½ millions—*i.e.*, 24 millions in all, representing a capital withdrawn from trade and industry of some 800 millions sterling!—probably three times the total capital invested in all branches of the cotton industry in Lancashire. Yet in consequence of the *ententes* foreign politics are admittedly more favourable than they were. Nor has there been any movement of military expenditure in France, Germany, Austria, and Italy during this period to suggest the necessity for more than a very slight addition to our own in the decade under review.

But how is a remedy to be found? Let us consider. Supposing it were determined that the

Army Estimates should be reduced to 25 millions next spring and to 23 millions in 1912, the question may fairly be asked: "How would it be done? or could it be done at all?" Of course it could be done, and more easily than is generally supposed. A military establishment can be reduced far more readily than a civil one, because of the short service system. The annual number of recruits is very large indeed compared with the total force, and an immense waste of money and energy is involved in taking so large a number every year; for the percentage of those who have to be dismissed on physical grounds is much larger than it would be if the numbers of the Army had not been so much enlarged. The rise and fall of the Army Estimates depend mainly upon the numbers of men voted, though in order to return to the pay vote of 1897-8 it would be necessary to vote a somewhat smaller force owing to the fact that the common soldier is rather better paid now than then.

The following table of the numbers of regulars voted, the pay vote, and the total is extracted from War Office statements:—

Year.	Vote A. Numbers.	Vote 1. Pay of Army. £	Total Army Ex- penditure. £
1896-7	156,174 ..	5,996,827 ..	18,156,520
1901-2	450,000 ..	22,573,953 ..	92,660,874
1903-4	235,761 ..	11,233,931 ..	36,728,618
1904-5	227,000 ..	10,521,393 ..	28,895,624
1905-6	221,300 ..	9,844,833 ..	28,478,863
1906-7	204,100 ..	9,611,566 ..	28,501,421
1907-8	190,000 ..	9,421,235 ..	27,141,642
1908-9	185,000 ..	9,028,383 ..	26,859,299
1909-10 (estimate)	183,200 ..	8,527,000 ..	27,435,000
1910-11 (estimate)	184,200 ..	8,733,000 ..	27,760,000

The above table brings out very plainly how it is that

the Army cost 50 per cent. more after the war than it did before the war. Instead of reducing the war establishment by 300,000 men the Government reduced it by 214,239, leaving the hard-pressed taxpayer to provide for more soldiers than before. These additional men cost seven or eight millions sterling a year, so that there is no longer any mystery about the necessity for keeping on war taxes. If Parliament allows war establishments in time of peace it must, of course, acquiesce in war taxation. Unfortunately, another criticism that is forced upon one by an examination of these figures is that the taxpayers have been deprived by Mr Haldane of the greater part of the benefits which they should have received from the reductions that have taken place. The policy of making things pleasant all round agrees ill with the character for frugality which Mr Haldane has sometimes claimed for himself. Mr Haldane is certainly the first Secretary of War who has succeeded in reducing the establishment by 37,000 men without making any substantial reduction in the pay vote. We should have expected, if ordinary economy had been observed, or even ordinary War Office economy, that a reduction of 37,000 in the regular Army would have been accompanied by a reduction of £3,000,000 in the Estimates. The actual sum gained by the taxpayer, if this year's Estimates are compared with the expenditure of five years ago, is a paltry £718,000. It is unfortunate for purposes of comparison that five years ago several of the votes were rearranged, so that the Army expenditure of ten years ago cannot be compared in every detail with the present. But perhaps the financial staff of the War Office will find time before

long to make good their preliminary table. However, some of the main items can be set out :—

	Lord Lansdowne's Army Expenditure in 1896-7.	Mr Haldane's Army Estimates 1909-10.	Mr Haldane's Army Estimates 1910-11.
1. Total	£18,156,520	.. £27,435,000	.. £27,760,000
2. Numbers of regular army	156,174	.. 183,200	.. 184,200
3. Pay vote	£5,996,827	.. £8,527,000	.. £8,733,000
4. Special Reserves	533,902	.. 897,000	.. 833,000
5. Territorial forces....	885,952	.. 2,307,000	.. 2,660,000
6. Supplies and clothing	3,377,709	.. 4,275,000	.. 4,397,000
7. Works.....	980,748	.. 2,551,000	.. 2,598,000
8. War Office.....	243,037	.. 593,000	.. 429,000

The increase in the Works Vote is due to the abolition of the loan system.

A CRITICISM OF THE ARMY ESTIMATES.

On the face of it, last year's Army Estimates of £27,435,000 showed a petty decrease of £24,000, as compared with the Estimates of 1908-9. There was, however, a real increase of no less than £276,000, although it fell upon the Indian instead of upon the British taxpayer. The principal additions to military expenditure made by Mr Haldane were in 1910-11 £353,000 for the Territorial Force, £206,000 for pay, *et cetera*, of the Army, and £122,000 for supplies and clothing. Unhappily, the vicious system of borrowing for works, though "definitely abandoned in 1906," has been continued on a small scale, as the increase of loan annuities testifies. This year's Estimates are £325,000 above last year's, owing to an increase in the Regular Army and in the cost of the Volunteers, now called "Territorials." This year, however, a charge of £300,000 for interest and sinking fund under the Barrack Act of 1890 will be terminated. Let us hope that it will not be used by Mr Haldane or his successor for further military

extravagance, but that the taxpayer for once will be allowed to benefit. It is very pleasant indeed for the head of a Government Department to give money and subventions to everybody who asks for more. But, unfortunately, this policy of donations ruins the Budget, and bears very hardly upon the poor. A fine lady once called on Necker, then Finance Minister to Louis XVI., and asked him to give her 1,000 crowns from the public Treasury. When Necker refused, his visitor was hurt, and asked, in astonishment, "What can a thousand crowns be to the King?" "Madam," replied Necker, "a thousand crowns are the taxes of a whole village." In allowing all departments to draw more money from the taxpayer's purse at one and the same time our Ministers seemingly have forgotten a saying of Lord Bacon:—"A man had need, if he be plentiful in some kind of expense, to be as saving again in some other; as if he be plentiful in diet, to be saving in apparel; if he be plentiful in the hall, to be saving in the stable, and the like. For he that is plentiful in expenses of all kinds will hardly be preserved from decay."

The Army Estimates are above eight millions higher than those of 1899. The remedy is quite well known. In the first place, Mr Haldane and his military advisers assure us that the additional million and a-half which we are spending on the Territorials is giving us an efficient force of 270,000 men for home defence. If that is so, there can be no possible reason for maintaining the numbers of the Regular Army at home at their present level. For if the Territorials are efficient, why should we not replace a part of the Regular Army at home by Territorials? They cost much less, so that we could thereby effect a great economy without any loss of security. If, on the other hand, the Territorials are not efficient, the money being spent on them is

mere waste. A second and a more obvious remedy is in the reduction of the South African garrison. Two years ago, "looking to the future," Mr Haldane wrote, "it is, I am convinced, impossible to make further diminutions in Army expenditure on a considerable scale unless we first of all reduce the number of troops serving abroad." Last year's reductions in the South African garrison saved something, and, as the *Manchester Guardian* points out, there are still 11,390 men in South Africa, made up of four regiments of cavalry, two batteries of artillery, six battalions of infantry, with engineers and army medical corps. We agree with our Northern contemporary that the first thing economists in the House of Commons should do is to call for an estimate of what it is costing to keep these troops in South Africa. The *Manchester Guardian's* critic, who generally errs on the right side—the side of moderation and caution—puts the normal cost of a battalion at home at £60,000, and allows 20 per cent. for the extra cost of maintenance in South Africa, where living is very expensive. He proceeds:—

Taking the troops now in South Africa as the equivalent of 10 battalions, we get a total cost of about three-quarters of a million. It cannot be pretended that these men are any longer necessary to the protection of South Africa, and if they were necessary to the home army we could not have afforded to keep them so long in South Africa. There is therefore no reason why these battalions, if withdrawn from South Africa, should not disappear from the establishment altogether.

But this is not the end of the economy which might be effected, and ought, in our opinion, to be effected, in the coming financial year. As to this, Mr Haldane's own words last year may be quoted:—

It is in the operations of the Cardwell system that the best

hopes of future economies will be found to exist. For when once a balance between units at home and abroad has been arrived at, any future reductions that can be effected abroad should give a double saving. In so far as such reductions are rendered possible owing to a certain amount of external pressure being removed or to the rise of new protective forces within the Empire itself, the same causes that led to the strength of the Imperial outpost line being diminished may reasonably be held to justify a corresponding reduction being made in the strength of the Imperial reserve.

Translating Mr Haldane's language into a practical dialect, we can, by disbanding these unnecessary ten battalions from South Africa, effect also an equivalent reduction in our home Army. As the above-quoted critic puts it:—"Ten battalions saved in South Africa would thus be twenty battalions saved in all. In addition to the three-quarters of a million saved on the equivalent of ten battalions in South Africa, we should save the cost of their ten linked battalions at home. Here, then, on Mr Haldane's own showing, is a way in which more than a million and a-quarter of money could be saved on next year's Estimates. All the conditions are fulfilled. The balance between home and foreign battalions is now secured, and therefore the 'double saving' of which Mr Haldane speaks should begin to operate." There is no more reason now for keeping a large garrison in South Africa than for keeping one in Canada. Not only are all the South African colonies once more enjoying full self-Government, but their unification has been effected into one great State, which is naturally concerned to guard and police its own territories, like Australia, New Zealand, and Canada. We would, therefore, suggest to the economists in the House of Commons that they should concentrate all their energies upon the South African garrison, which should be the first line of criticism on next year's Army Estimates. Mr Haldane has himself invited this criticism, and it ought

to be pressed unsparingly to a successful issue, and with all the more determination in view of the Government's enormous additions to the Navy.

ARMY VOTES—COMPARATIVE TABLES.

The following statement shows the net expenditure in the Army by votes in 1897-8 and 1898-99, the two years preceding the war in South Africa :—

Year.	VOTE A. Numbers.	VOTE I. Pay, &c., of the Army.	VOTE II. Medical Services.	VOTE III. Militia.	VOTE IV. Imperial Yeomanry.	VOTE V. Volun- teer Corps.
1897-8....	158,774	£ 5,981,399	£ 301,841	£ 538,004	£ 75,521	£ 888,641
1898-9....	180,513	5,980,229	330,910	546,965	76,488	872,616

Year.	VOTE VI. Transport and Remounts.	VOTE VII. Supplies.	VOTE VIII. Clothing.	VOTE IX. Warlike and Other Stores.	VOTE X. Works.	VOTE XI. Educa- tional Estab- lishments.
1897-8....	£ 886,126	£ 2,832,722	£ 1,147,297	£ 2,298,027	£ 1,114,621	£ 115,842
1898-9....	989,382	3,281,266	1,135,858	2,426,344	1,002,957	113,804

Year.	VOTE XII. Miscel- laneous.	VOTE XIII. War Office.	VOTE XIV. Non- Effective Charges— Officers.	VOTE XV. Non- Effective Charges— N.C.O.'s and Men.	VOTE XVI Superan- nation, &c., Allow- ances.	Losses Irre- cover- able.	Total.
1897-8....	£ 59,287	£ 245,123	£ 1,527,045	£ 1,338,699	£ 177,957	£ 238	£ 9,528,390
1898-9..	54,650	243,037	1,527,854	1,327,272	183,501	240	20,096,373

The following are the official notes on these two years :—

(1) 1897-8.—Net increase on expenditure for 1896-7, £1,371,870, mainly in respect of transport, supplies, clothing, warlike stores, and works. Due partly to the general increase of the Army and partly to special expenditure in connection with Egypt, South Africa, and Crete.

(2) 1898-9.—Net increase on expenditure for 1897-8, £567,983. Transport again increased, on account of the Sudan Expedition and Manœuvres, and there was additional expenditure on medical services, supplies, and stores, due to the increase of the Army.

In 1905 the votes were re-arranged to some extent, and again in 1908. The following table gives the net

expenditure on the Army by votes after the war from the years 1905-6 to 1907-8:—

Year.	VOTE A. Numbers.	VOTE I. Pay, &c., of the Army.	VOTE II. Medical Services.	VOTE III. Militia.	VOTE IV. Imperial Yeomanry.	VOTE V. Volunteer Corps.
		£	£	£	£	£
1905-6	221,300	9,844,833	456,495	750,837	397,396	1,220,614
1906-7	204,100	9,611,566	445,123	777,873	406,056	1,652,802
1907-8	190,000	9,421,235	440,686	727,943	407,108	1,487,051

Year.	VOTE VI. Quartering Transport & Re- mounts.	VOTE VII. Supplies and Clothing.	VOTE VIII. Ordnance Estab- lishments & General Stores.	VOTE IX. Arma- ments & Engineer Stores.	VOTE X. Works.	VOTE XI. Educa- tional Estab- lishments
	£	£	£	£	£	£
1905-6	2,002,721	4,214,777	715,911	2,388,134	2,174,437	122,961
1906-7	1,960,236	4,220,434	646,225	2,176,571	2,265,690	134,323
1907-8	1,749,655	3,944,731	518,979	1,683,866	2,351,775	137,781

Year.	VOTE XII. Miscel- laneous.	VOTE XIII. War Office and Army Accounts Dept.	VOTE XIV. Non- Effective Charges-- Officers.	VOTE XV. Non- Effective Charges-- N.C.O.'s and Men.	VOTE XVI. Super- annua- tion, &c., Allow- ances.	Losses Irre- coverable.	Total.
	£	£	£	£	£	£	£
1905-6	64,089	548,937	1,665,403	1,714,453	187,428	9,437	28,478,263
1906-7	72,609	554,771	1,673,436	1,716,745	182,855	4,106	28,501,421
1907-8	67,697	563,959	1,703,172	1,756,178	172,528	7,298	27,141,642

The following are the official notes on these years:—

(1) 1905-6.—Reduction on normal expenditure of 1904-5, £4,000. Savings due to reduced Colonial Infantry establishments, disbandment of Garrison Regiment, &c., utilisation of more surplus clothing, and completion in 1904-5 of "Mowatt" reserves of stores, balanced by expenditure of £1,478,000 on rearmament of Horse and Field Artillery and growth of charges for Service Pay, Army Reserve, Loan annuities, and non-effective services.

(2) 1906-7.—Increase on expenditure of 1905-6, £222,000. Savings by reduction of establishments and decreased expenditure on Artillery Rearmament (£1,012,000), balanced by payment (£439,000), for redemption of loans to Volunteer Corps for Drill Halls and Ranges, increase of Army Reserve and expenditure on Rifles, and growth of charges for Loan Annuities.

(3) 1907-8.—Reduction on expenditure of 1906-7, £1,359,779. Savings by Reduction of Establishments, decreased expenditure on Artillery Rearmament (£502,943), Militia and Volunteers; partly balanced by increases under Army Reserve, Works, and non-effective charges. £363,770 spent on extinction of Volunteer Debts, (Supplementary Estimate.)

The following table gives the Army expenditure for 1908-9 and the Estimates for 1909-10 and 1910-11 by votes :—

Year.	VOTE A. Numbers.	VOTE I. Pay, &c., of the Army.	VOTE II. Medical Services.	VOTE III. Special Reserves.	VOTE IV. Terri- torial Forces.	VOTE VI. Quarter's Tr'nsport and Rem'nts
		£	£	£	£	£
1908-9	185,000	9,028,383	438,311	861,082	2,243,384	1,666,210
1909-10—Estimate.	183,200	8,527,000	440,000	897,000	2,307,000	1,665,000
1910-11—Estimate.	184,200	8,733,000	452,000	833,000	2,660,000	1,589,000

Year.	VOTE VII. Supplies and Clothing.	VOTE VIII. Ordnance Estabts. & General Stores.	VOTE IX. Arma- ments & Engineer Stores.	VOTE X. Works.	VOTE V. Educa- tional Estab- lishm'ts.	VOTE XI. Miscella- neous.
	£	£	£	£	£	£
1908-9	3,805,716	478,990	1,504,688	2,339,838	134,946	67,279
1909-10—Estimate	4,275,000	535,000	1,644,000	2,551,000	146,000	67,000
1910-11—Estimate	4,397,000	533,000	1,482,000	2,598,000	147,000	74,000

Year.	VOTE XII. War Office and Army Accounts Depart- ments.	VOTE XIII. Non- Effective Charges— Officers.	VOTE XIV. Non- Effective Charges— N.C.O.'s and Men.	VOTE XV. Superan- nation, &c., Allow- ances.	Losses Irre- cover- able.	Total.
	£	£	£	£	£	£
1908-9	574,317	1,736,248	1,813,894	165,596	417	26,859,299
1909-10—Estimate	593,000	1,762,000	1,868,000	158,000	..	27,435,000
1910-11—Estimate	429,000	1,789,000	1,890,000	154,000	..	27,760,000

The following are the official notes on the above figures :—

(1) 1908-9.—Reduction on Expenditure of 1907-8, £282,343. Savings by Reduction of Establishments, completion of Horse and Field Artillery Rearmament, reduced working stocks of stores, and increased Indian Capitation Payment; partly balanced by increase on Army Reserve and pensions, initial charges for Special Reserve and Territorial Force, and conversion of field guns to quick-firing for Territorial Artillery.

(2) 1909-10.—Net reduction on Estimates, 1908-9, £24,000. Decrease due to Reduction of Establishments and other savings on withdrawal of units from S. Africa and to increased Indian contribution; balanced by increased expenditure on Territorial Force, new field howitzers and pensions.

(3) 1910-11.—Net increase on Estimates, 1909-10, £325,000. Due to increase of Regular Establishment (1,000 men), growth of Territorial Force, increase on Field Training (£100,000), and on clothing (owing to partial exhaustion of surplus stocks); partly balanced by reduced provision for Army Reserve and for new field howitzers.

EXPLANATIONS of the DIFFERENCES between the NUMBERS and AMOUNTS in the ARMY ESTIMATES for 1910-11 and 1909-10.

VOTE A.—NUMBERS: INCREASE 1,000.

	1909-10.	1910-11.
TOTAL OF VOTE A	183,200	.. 184,200
Less additional numbers to cover temporary and occasional excess of establishment ..	1,300	.. 1,850
	181,900	.. 182,350
Real reduction.....	450	

The following are the principal variations:—

	Offic'rs.	Warrant Officers	Scrijeants	Drum- mers, &c.	Rank & File.	All R'nks
INCREASES:						
Cavalry of the Line..	— 15	..	— 40	— 16	366	295
Royal Engineers	5	— 2	12	1	181	197
Infantry	— 1	..	5	— 5	136	135
	— 11	— 2	— 23	— 20	683	627
DECREASES:						
Army Service Corps..	..	60	16	..	41	107
	— 11	— 52	— 39	— 20	642	520

Other changes yield a net decrease of 70.

VOTE 1.—PAY, &C., OF THE ARMY.—Increase, £205,000. As £161,200 has been transferred from Vote 12 for pay, &c., of the Army Pay Department and Corps, the real increase is £44,800. This increase is due to increased provision for field training and to diminished appropriations in aid, partly balanced by reduced charges for soldiers' gratuities and deferred pay.

VOTE 3.—SPECIAL RESERVES.—Decrease, £64,000. Due to a reduction in the strength of the force provided for as compared with 1909-10, and in the average number of recruits drilling during the year, partly balanced by increased provision for the Officers' Training Corps.

VOTE 4.—TERRITORIAL FORCES.—Increase, £353,000. Due to the growth of the Territorial Force and the formation of the Territorial Reserve.

VOTE 6.—QUARTERING, TRANSPORT, AND REMOUNTS.—Decrease, £76,000. Due to a decrease in the provision for lodging allowances, sea transport of troops, carriage of stores, and purchase of horses, partly balanced by a larger provision for mechanical transport vehicles.

VOTE 7.—SUPPLIES AND CLOTHING.—Increase, £122,000. Due to the partial exhaustion of surplus stocks of clothing.

VOTE 9.—ARMAMENTS AND ENGINEER STORES.—Decrease, £162,000. Due to decreased provision required to complete the supply of new pattern howitzers, and to reduced requirements of rifles.

VOTE 10.—WORKS AND BUILDINGS.—Increase, £47,000. Due to increased provision for new barrack services on the vote.

VOTE 12.—WAR OFFICE.—Decrease, £164,000. Due mainly to the transfer to Vote 1 of provision for the Army Pay Department and Corps, on reorganisation of the Army Accounts Department.

VOTES 13-15.—NON-EFFECTIVE SERVICES.—Increase, £45,000. Due mainly to the normal growth of the charge for Retired Pay and for pensions.

CHAPTER IV.

THE GROWTH OF CIVIL EXPENDITURE.

TOGETHER with this portentous growth of expenditure upon the Army and Navy the civil expenditure of the country has also been growing at a dangerous rate. It is high time to raise the question whether the usefulness of the numerous Government departments has increased in proportion to this expenditure.

There are an enormous number of faddists and busy-bodies whose principal idea in the leisure which they devote to mankind is to get grants of money from public bodies or Government for their own particular projects and fads. If they are unsuccessful they fill the newspapers with wails and complaints, and denounce the Ministers or Town Councillors whom they have unsuccessfully pestered as mean, stingy, and unenlightened, wholly wanting in humanity and public spirit. If they succeed they pose and are frequently treated as public benefactors. They receive perhaps a knighthood, and the service they have rendered to one section of the community at the expense of everybody is immediately entered in *Who's Who*, and eventually inscribed on a tablet. Of course, all expenditure is popular with somebody. When a man makes a gift out of his own pocket it would be churlish to look the gift horse in the mouth. The rich may spend a great deal on luxuries and ostentation without incurring any moral censorship. But administrators of public money hold the most solemn and responsible of all trusteeships. If an expenditure is not absolutely necessary its utility and productive character must be proved to demonstration, and it must also be shown that the scheme can be carried out without imposing an undue

strain upon the public credit and resources. Great Britain may be the richest country in the world. But no State is rich except by comparison with the greater poverty of its neighbours. Nine families out of ten are poor. Most of them, but not all, have just enough to live on. But their savings are very small, and they have very little to fall back upon. The tenth family is very comfortably off, on the average, and if this "emerged" tenth were able and willing to provide the whole revenue a Government might almost be pardoned if it extended the scope of its functions and enlarged its grants liberally. But apart from the political evils which would flourish in a State supported only by a small well-to-do fraction of its citizens, a modern State, with an elaborate system of education, an enormously costly arrangement for the incarceration of criminals, lunatics, and paupers, immense forces of police in addition to a mighty machinery designed and maintained regardless of expense for the purpose of menacing the security of other nations and safeguarding its own, cannot possibly rely upon the rich alone.

As we have already seen, the cost of the Civil Service has increased even more rapidly than that of the Army or the Navy, the figures for the last 50 years being as follows :—

	Civil Service, including Other Consolidated Fund Services.		Revenue Departments and Post Office.
	£		£
1857-8	10,147,000	..	4,359,000
1867-8	11,194,000	..	4,883,000
1877-8	15,624,000	..	7,776,000
1887-8	19,852,000	..	10,749,000
1897-8	23,446,000	..	14,310,000
1907-8	32,152,000	..	20,749,000
1908-9	34,007,109	..	21,433,000
1909-10	40,653,000	..	22,035,000
1910-11 (estimate)	42,686,000	..	23,852,000

There has thus been a steady increase in the burden of the Civil Service from 1857 to 1897, and in the next 12 years of the table an increase of more than 19 millions, or, including the revenue departments, which are grouped with the Civil Service Estimates, an increase from £37,756,000 to £66,538,000. In the last two fiscal years the increase is swollen by the cost of old-age pensions, which amounted to $8\frac{3}{4}$ millions in 1909-10, and is estimated to cost $9\frac{1}{4}$ millions in the current year. Apart from this charge, civil expenditure amounts to over 57 millions, an increase of nearly 50 per cent. compared with 1897. The above figures are larger than the sums annually provided by Parliament, for they include considerable sums spent under the authority of various permanent Acts. These are the "Other Consolidated Fund Charges." They include provision for the Sovereign's Civil List, for the salaries and pensions of the judges, and various other charges. Apart from two or three pensions for distinguished military or naval services, the whole of this expenditure, which amounts to nearly two millions sterling every year, is civil in character. The figures are as follows:—

OTHER CONSOLIDATED FUND CHARGES.

	£
1897-8	*1,886,000
1910-11 (estimate)	1,646,000

* This figure is swollen by a charge of £250,000 for expenses under the Coinage Acts 1891 and 1893.

It is unfortunate that these charges are not discussed with the Civil Service Estimates, but at present no estimate of the Consolidated Fund Charges is laid before Parliament except in the Budget statement of the Chancellor of the Exchequer. This is one of the weak points in the financial control exercised by the House of Commons. Several of these charges would certainly be criticised if members generally were aware

of their existence, and though none of them can be repudiated, many of them lapse in the ordinary course of nature, and their renewal might be prevented.

We have not, however, reached the limit of civil expenditure. A large item consists of the revenue derived from certain taxes which are earmarked for the benefit of the local authorities in whose areas they are collected. These taxes are imposed by the authority of Parliament; they are collected by officials under the control of Parliament, and their distribution should properly be treated as Imperial expenditure. These assigned taxes do not, however, constitute the whole of the Imperial subsidy to local needs. In addition, grants amounting to over a million sterling are paid out of the Consolidated Fund on the fulfilment of certain conditions by the various local bodies. Taking these two classes of local contributions together, we obtain the following figures as the total payment from the Imperial taxes to local finance:—

	£
1897-8	9,402,000
1910-11 (estimate)	*10,745,000

* From January 1, 1909, the collection of dog, gun, game, and establishment licences in England and Wales was transferred to the local authorities.

In these various tables we have all the items of civil expenditure. Putting them together we get the following summary:—

TOTAL CIVIL EXPENDITURE of the UNITED KINGDOM.

	£
1897-8	47,158,000
1910-11 (estimate)	77,283,000

In view of this result, it is no exaggeration to say that the growth of civil expenditure is at least as serious as the growth of military and naval expenditure. In a period of twelve years our civil expenditure has increased by nearly 66 per cent., and the actual

addition made is the huge sum of £30,000,000 a year. What that means to the taxpayer can best be made clear by pointing out that if this additional expenditure had not been incurred, the Chancellor of the Exchequer would to-day be in a position entirely to abolish the sugar tax and the tea tax and to reduce everybody's income-tax by approximately 8d in the £.

COMPARISON OF EXPENDITURE IN 1897 AND 1907 WITH ESTIMATES FOR 1910-11.

In order to see where the increase has occurred in these figures it is proposed to analyse the sums which have been quoted. The analysis follows the classification of the Appropriation Accounts as far as possible, for though the form in which these accounts are drawn up makes it difficult to separate the cost of the various departments—for many appear under more than one head—it would be impossible to rearrange the details of the two large volumes. The account is further confused by the appropriations in aid which accrue to many of the departments. These are in the nature of County Court fees, proceeds of sale of stores, &c., the money sometimes being paid by the public and sometimes by other Government departments. The appropriation accounts quote the gross expenditure and also the appropriations in aid received under each head. The difference between these represents the sum to be provided by Parliament, and is to some extent comparable with the Estimates for the present year, though the latter will inevitably be added to later in the Session by the supplementary Estimates, which have unhappily become a regular feature in the spring Session of Parliament. The increase shown in 1910-11 has to be increased by £369,000 on account of supplementary expenditure already brought before Parliament

in supplementary votes passed prior to the summer recess :—

SUMMARY.

	1897-8.	1907-8.	Estimates, 1910-11.
	£	£	£
I. Public Works & Buildings	1,888,680	2,716,400	3,452,294
II. Salaries and Expenses of Civil Departments	2,097,932	2,886,564	3,455,545
III. Law and Justice	3,628,681	3,854,402	4,442,611
IV. Education, Science, & Art	11,525,818	17,163,278	18,651,483
V. Foreign & Colonial Services	1,160,212	2,042,364	1,862,190
VI. Non-Effective and Charit- able Services	747,639	810,377	10,073,049
VII. Miscellaneous	355,859	512,707	748,274
VIII. Revenue Departments ..	14,265,009	20,843,581	23,382,656
Total	35,669,830	50,829,673	66,068,102
Total (excluding Revenue Depart- ments)	21,404,821	29,986,092	42,685,446

Of this increase $9\frac{1}{4}$ millions is in respect of Old-Age Pensions, which appears under the sixth heading. But apart from this item there are some considerable advances. As between 1897 and 1907, the largest increases are in Education and the Revenue Departments, which between them account for 12 millions of the 15 millions increase. Other items to which attention should be directed are those in respect of public buildings, which show an increase of nearly 50 per cent., the expenses proper of the civil departments, which have risen 47 per cent., the cost of the Colonial and Foreign Services and Miscellaneous expenses. These are given below in detailed tables, which will enable the reader to put his finger on the spots where expenditure has grown at an excessive rate.

PUBLIC WORKS AND BUILDINGS.

The first class is that of public works and buildings. Many of these items are for departments which figure in the returns elsewhere. The Post Office buildings, for example, which account for a large proportion of

the increase in recent years, and for £100,000 of the anticipated increase in the Estimates, are so divorced from the other accounts of that Department that it is impossible to get a general review of its financial position. It is hardly to be wondered that it can show a profit when its buildings are paid for out of the nation's revenue, and no charge is made against its receipts on account of capital expended in buildings, as would be the case with a trading company. But there seems to be great and growing extravagance in public buildings, the Estimates for the current year showing an increase over 1907 of a quarter of a million sterling. A further sum of £131,800 is being asked for the Labour Exchanges that are being erected all over the country.

CLASS I.—PUBLIC WORKS and BUILDINGS.

	1897-8.	1907-8.	Estimate, 1910 11.
	£	£	£
Royal Parks and Pleasure Gardens....	101,323	139,972	127,800
Diplomatic and Consular Buildings ..	23,402	71,867	101,700
Revenue Department Buildings, Great Britain	345,782	624,024	735,800
Public Buildings (Great Britain)	284,625	504,340	725,600
Labour Exchange Buildings.....	..	..	131,800
Surveys of the United Kingdom	204,585	189,569	192,796
Rates on Government Property	394,743	624,251	675,700
Public Works and Buildings (Ireland).	195,058	171,454	259,804
Railways (Ireland)	89,890	59,411	87,114
Total (including other public buildings)	1,888,680	2,716,400	3,452,294

The entry for rates on Government property shows an increase out of proportion to the sum spent on buildings, but it has to be remembered that Government property has increased in every one of the intermediate years. It may be pleaded that Great Britain is not lavish in its public buildings compared with some other countries, and in the case of the Government

Departments efficiency has sometimes suffered from inadequate housing and the scattered location of interdependent offices, and sometimes even of branches of the same department. Nevertheless, the idea that every civil servant must live in a palace has been sadly overdone.

SALARIES AND EXPENSES OF CIVIL DEPARTMENTS.

The second group contains the expenditure of the Administrative Departments. The three and a-half millions voted under this head are, in fact, the cost of running the permanent Civil Service, and those who hold with the *dictum* that the best Government is that which spends most lavishly would probably find the chief outlet for their spendthrift propensities in a great addition to this sum. Every fresh form of Government activity, every new department created, means an addition to the cost of these civil departments, and, as will be seen from the subjoined table, the total expenditure has increased by nearly 75 per cent. in the 12 years covered by the figures:—

CLASS II.—SALARIES and EXPENSES of CIVIL DEPARTMENTS.

SERVICE.	1897-8.	1907-8.	Estimate for 1910-11. (Net).
	£	£	£
House of Lords Offices	3,897	19,951	28,443
House of Commons Offices	16,516	35,250	49,300
Treasury and Subordinate De- partments	89,187	99,473	106,403
Home Office	118,279	194,930	224,078
Foreign Office	70,852	62,877	67,562
Colonial Office	41,911	62,629	58,300
Privy Council Office	11,821	10,160	10,509
Board of Trade.....	178,674	269,006	449,990
Mercantile Services.....	44,215	92,634	105,652
Bankruptcy Department of Board of Trade.....	..	..	8
Board of Agriculture and Fisheries	103,714	235,853	185,710
Charity Commission	40,232	30,261	29,802

SERVICE.	1897-8.	1907-8.	Estimate for 1910-11. (Net).
Civil Service Commission	£40,183	£37,679	£38,061
Exchequer and Audit Department	58,866	61,652	63,400
Friendly Societies Registry	7,514	8,513	9,469
Local Government Board	181,575	226,179	271,849
Lunacy Commission (England)..	13,828	15,782	16,604
Mint (including Coinage) .....	..	..	38
National Debt Office	13,702	12,356	14,091
Public Record Office	22,465	24,189	26,095
Public Works Loan Commission	1,795	1,390	66
Registrar General's Office (England)	38,665	38,302	47,001
Stationery and Printing	580,639	736,875	739,596
Office of Woods, Forests, and Land Revenue	19,456	20,046	22,134
Office of Works and Public Buildings	54,427	85,290	105,610
Secret Service	25,825	43,877	50,000
SCOTLAND—			
Office of the Secretary for Scot- land	11,942	34,916	35,802
Fishery Board for Scotland	30,476	17,419	24,301
Lunacy Commission, Scotland..	5,360	6,130	6,503
Registrar General's Office, Scot- land.....	4,964	3,895	5,214
Local Government Board for Scotland	11,375	15,768	19,190
IRELAND—			
Household of the Lord-Lieu- tenant of Ireland	4,770	4,557	4,672
Chief Secretary for Ireland	41,539	27,051	30,038
Department of Agriculture and Technical Instruction, Ireland	..	201,229	416,356
Charitable Donations and Be- quests Office, Ireland	1,872	2,025	2,057
Local Government Board, Ire- land	136,804	71,274	102,447
Public Record Office, Ireland ..	5,771	5,456	7,221
Public Works Office, Ireland .	36,414	39,276	44,007
Registrar-General's Office, Ire- land	15,784	11,933	13,099
Valuation and Boundary Survey, Ireland	12,623	19,481	24,867
	2,097,932	2,886,564	3,455,499

The Estimates of £38 for the Mint and £8 for the Bankruptcy Department of the Board of Trade are included so as to bring the departments before the House of Commons. As regards England, it will be seen that large increases are recorded in the case of the Board of Agriculture, the Local Government Board, the Stationary Office, the Mercantile Service, and, in particular, in the Board of Trade. Between them these offices are responsible for the expenditure of over three-quarters of a million sterling more than in 1897-8. In the case of the Board of Agriculture the Estimate shows a decrease, but the department has in the year 1907 included a supplementary Estimate of £100,000 as a grant in aid on small holdings account.

The Home Office has had to add greatly to its staff on account of the work put upon it by recent Factory and Workshops Acts and other industrial legislation. A comparison of the two years with regard to factory inspection yields the following result:—

	1897-8.	1907-8.	1910-11.
	£	£	(Estimate) £
Inspection of factories and work-shops—			
Salaries, &c.	30,078	55,272	67,937
Travelling, &c.	9,212	12,352	15,000
Fees to surgeons, &c.	3,396	9,703	9,500
Cost of prosecutions, inquiries, and arbitration	674	3,104	4,000
Incidental expenses	757	976	1,000
	<hr/>	<hr/>	<hr/>
	52,117	81,407	97,437

The remainder of the increase is due to contributions towards the maintenance of certified inebriates' reformatories under the Act of 1898 and a sum of £12,740—the cost of the Aliens Act of 1906—£9,850 being the salaries, fees, and allowances to officers. In view of the admitted failure of the Aliens Act as a real safeguard against the admission of undesirable persons, it would seem that £13,000

is a large sum to pay to keep out a few innocent but poor refugees. It would really be cheaper to pension the few persons who are forbidden to enter the country. The increase in the Local Government Board Vote is incurred in respect of the general staff and of the district auditors. The increase in the salaries of the latter gentlemen is, however, well spent if they keep an adequate watch over the expenditure of local authorities, for the sums which come under their supervision are on a much larger scale than the £64,000 which constitute their wages. As regards the Board of Trade, which shows the largest increase of all the departments, the additional expenditure in 1907-8 is to be sought for in two departments—viz., the Commercial, Labour, and Statistical Department, and the Patent Office. Since the first fiscal inquiry, initiated by Mr Balfour, the Board of Trade has been engaged on a series of important investigations, and has enlarged its statistical functions to meet the demand for more information on the leading social and economic questions of the day. The cost of this development increased the sum spent by the Labour Department from £19,000 to £47,500. The Patent Office also showed an increase owing to the greater trouble taken in the investigation and recording of patents. Salaries and wages in this department rose in the ten years from £57,000 to £110,000. The enormous increase in the Estimate for the current year is chiefly due to Labour Exchanges, which require nearly £130,000. The Board of Trade Estimate also includes the cost of the Census of Production Office, the expenditure of which is, however, difficult to separate from the general expenditure of the Board. Whether the census was worth undertaking seems quite arguable. There are limits to expenditure upon even such fascinating objects as statistics.

The Civil Service Departments of Ireland and Scotland naturally show smaller advances. The most important of the sums is that for the Agricultural Board of Ireland. Over £400,000 is to be spent by the department in the coming year, but the work which has been done in arresting Ireland's agricultural decline and improving the trade outlook for the future is a more productive undertaking than many which could show a credit balance in their account. There is an increase of £19,000 for the departmental work in the current estimate, while £163,750 is paid to the Congested Districts Board.

LAW, JUSTICE AND POLICE.

The third class includes expenditure on law and justice, so far as this comes within the province of the central administration. It is of some interest to note how the increase in this section, which amounts to about £814,000, is distributed among the three kingdoms:—

	1897-8.		1907-8.		Estimate, 1910-11.
	£	..	£	..	£
England	1,378,326	..	1,509,100	..	1,761,293
Scotland	211,087	..	208,587	..	227,415
Ireland	2,039,268	..	2,136,715	..	2,453,903
U.K.....	3,628,681	..	3,854,402	..	4,442,611

Thus England's expenditure has increased by 27.6 per cent., Scotland's by 7.8 per cent., and Ireland's by 20.3 per cent., or 22.5 per cent. in the total sum. It is an eminently satisfactory result for the distressful country in a period when cattle-driving is supposed to be flourishing, and when the land is, according to some critics, in a state of hopeless disorder that its expenditure should have increased less rapidly than in the more peaceable section of the United Kingdom.

The detailed items which comprise these totals are as follows :—

CLASS III.—LAW and JUSTICE.

SERVICE.	1897-8.	1907-8.	Estimate for 1910-11.
ENGLAND—	£	£	£
Law Charges, England	62,873	71,592	86,096
Miscellaneous Legal Expenses ..	41,725	49,505	49,764
Supreme Court of Judicature ..	319,214	318,926	330,718
Land Registry	7,864	37,824	37,999
County Courts	19,419	..	5
Public Trustee .....	..	1,696	10
Police, England and Wales	51,899	37,412	110,312
Prisons, England and the Colonies	586,339	705,375	783,077
Reformatory and Industrial Schools, Great Britain	257,499	252,501	282,812
Broadmoor Criminal Lunatic Asylum	31,494	34,269	80,500
SCOTLAND—			
Law Charges and Courts of Law, Scotland	88,632	76,697	82,909
Register House, Edinburgh	41,764	41,267	43,561
Crofters' Commission.....	5,196	3,965	4,465
Prisons, Scotland.....	75,495	86,658	96,480
IRELAND—			
Law Charges and Criminal Prosecutions, Ireland	55,201	63,251	65,275
Supreme Court of Judicature, &c.	108,914	100,781	109,860
The Irish Land Commission....	112,431	229,864	455,166
County Court Officers, &c., Ireland	112,963	107,642	110,625
Dublin Metropolitan Police	90,753	93,263	95,982
Royal Irish Constabulary	1,342,229	1,319,219	1,385,167
Prisons, Ireland	101,066	106,991	111,602
Reformatory and Industrial Schools, Ireland	109,667	108,678	112,800
Dundrum Criminal Lunatic Asylum, Ireland	6,034	7,026	7,426
Total United Kingdom ..	3,628,681	3,854,402	4,442,611

In examining these figures it should be borne in mind that they do not represent the gross cost of the various bodies included, for nearly all of them have large receipts or appropriations in aid which they receive from

finer, &c. The London police courts, for example, are not included, as they are entirely self-supporting, and, in fact, make a lucrative business out of those unheroic persons who prefer a fine to imprisonment. Similarly the county courts in recent years have made no call on the public purse. The upkeep of prisons is chiefly responsible for the increase in the English figures, the sums for 1907-8 being £120,000 in excess of that for 1897-8.

The chief items in this increase are as follows :—

	£
Salaries, &c.....	50,000
Victualling	40,000
New building	10,000
Fuel, light, &c.	10,000
Gratuities to prisoners and charities	5,000

The Scottish expenditure shows a gratifying decrease between 1897 and 1907, but later years have seen an increase once more. The figures are, however, very small.

The Irish statistics are swollen enormously by the expense of the Irish Constabulary, which has always been regarded as an Imperial charge. The pretence of keeping the country under military rule from Dublin Castle only means that the cost of the police, which in this country is almost entirely borne by the local authorities, is in Ireland paid for on a much more lavish and extravagant scale out of the Imperial Exchequer. The Irish Land Commission is the only other item in the table which calls for attention, the difference between the £117,000 in 1897 and the £455,166 in 1909 representing the cost of working the Act of 1903.

On the whole, the expense of administering justice and keeping order in the United Kingdom has shown only slight changes. It is a branch of the Estimates which we may hope to see reduced with the diminution

in crime. Any tendency that there might be in this direction has, however, hitherto been checked by the increased administrative expenses of the prisons themselves, and, in particular, by the very lavish scale of pay in proportion to the work done in the numerous law offices and departments of the country. These offices, indeed, show no considerable increases, but that is rather because their organisation has long been on a ridiculously extravagant scale than because they are inspired for a passion for economy.

THE BOARD OF EDUCATION AND OTHER VOTES.

In the Civil Service the most important spending department is the Board of Education, which now requires annually about 14 millions of the Imperial revenue. It is, of course, impossible to obtain either from the Estimates or from the appropriation accounts a complete statement of the amount spent on public education in this country, because much of the money is raised in the form of rates and expended by local authorities under the supervision of Whitehall. This naturally complicates the accounts, and it is a standing subject of disagreement among educational experts whether the Treasury is at present supplying a larger or a smaller percentage than formerly of the total cost. It has, for example, been said that "in 1871 the percentage contributed by the Treasury was 90 per cent., and now it is less than 50 per cent.," but these figures are arrived at by neglecting all the voluntary contributions, the fees and the income from endowments, which formerly met the greater part of the expenditure of elementary schools; these sources of income must obviously be taken into account if we are to form a proper estimate of the Treasury's importance in educa-

tional finance, and it is probably correct to say that in 1871 the Treasury contributed not 90 per cent., but 14 per cent. of the total. In any case the actual cost to the Treasury has enormously increased in the past few years, and taking together elementary education and the expense of the Science and Art Departments maintained out of the Imperial Exchequer we find that the Estimate for 1908-9 is roughly £14,065,000, against an expenditure of £8,800,000 in 1897-8. The accounts themselves are complex and difficult; much of the money is not disbursed under any statutory direction, but in accordance with an ever-changing and bewildering mass of codes and regulations, which are too technical, and are no doubt meant to be too technical, for discussion in the House of Commons. It follows that over a long period which, like 1897-1908, covers many changes in legislation and the administrative system, it is extremely difficult to trace movements exactly, and discover just how the increase has come about; and *a fortiori* it is still more difficult to decide whether the taxpayer has had value for his money. In the following analysis questions of policy must be left on one side, and attention fixed on the difference in the various items between the present Estimates and those of ten years ago.

The Estimates for the Board of Education come under Class IV., which now covers 14 separate heads, all of which are connected more or less closely with education, though only one of them has to do with English elementary education, the department in which expenditure has risen most rapidly. The other heads deal with the British Museum, picture galleries, research, and university education, and the financial burden of these institutions falling on the Treasury has altered comparatively little during the ten years. In the following table we show the cost borne by the Ex-

chequer under a number of different headings, all of which fall in Class IV. of the Estimates :—

CLASS IV.—EDUCATION, &c.

SERVICE.	1897-8.	1907-8.	Estimate for 1910-11.
	£	£	£
Public Education, England and Wales	8,038,115	13,272,625	14,064,677
Department of Science and Art for the United Kingdom	800,543		
British Museum.....	162,140	169,794	175,895
National Gallery	14,734	16,525	18,348
National Portrait Gallery	5,607	5,870	5,666
Wallace Collection.....	..	6,195	6,466
Scientific Investigation, &c.....	27,942	53,823	74,228
Universities and Colleges, Great Britain, and Intermediate Education, Wales	103,964	200,938	218,100
SCOTLAND.			
Public Education	1,164,589	2,031,790	2,253,725
National Gallery, Scotland	3,400	5,092	5,326
IRELAND.			
Public Education	1,196,533	1,391,938	1,656,901
Endowed Schools C'mmissioners	849	906	925
National Gallery, Ireland	2,452	3,082	3,146
Universities & Colleges, Ireland	4,950	4,700	168,080
	11,525,818	17,163,278	18,651,483

Taking first the expenditure in England, we find that the cost, apart from public education and the Science and Art Department, amounts, according to this year's Estimates, to less than £500,000 out of a total of £14,500,000, the relation between public education, &c., and minor institutions working out in the following way :—

	1897-8.	Estimate, 1910-11.	Increase.
	£	£	£
Public Education and Science and Art	8,838,658	14,064,677	5,225,019
Other departments	314,387	498,703	184,316
	9,153,045	14,563,380	5,410,335

So far, then, as England is concerned, the expenditure on the other departments in Class IV. is extremely small, and the increase in ten years is quite moderate. In a period when elementary education has made, or at any rate ought to have made, enormous strides it is only right that the aids to the higher form of education should also increase, and no one is likely to grudge the additional sums spent on the new provincial colleges and universities or on the British Museum and the various picture galleries.

But when we come to the cost of elementary education in Great Britain we get a very different story. Here the Treasury is to expend during the current year more than £5,000,000 more than it spent in 1897-8, the percentage of increase being well over 50 per cent. The chief items of expenditure are, of course, the grants made for different purposes to different sorts of elementary schools. The various administrative changes evolved since 1897 have carried with them corresponding changes in the form of the accounts, and the phraseology of the department has altered so much that an exact and detailed comparison is very difficult. But in the following figures we show the difference between the total sum put down to grants in the appropriation accounts of 1897-8 and the appropriation accounts of 1907-8:—

GRANTS TO ELEMENTARY SCHOOLS.

1897-8.		1907-8.		Increase.
£		£		£
6,981,000	...	11,129,000	....	4,148,000

Thus practically the whole of the increase in the Board of Education accounts arises out of the grants made to elementary schools, and it may be well to set out

the various heads under which this expenditure was incurred in 1907-8 :—

	£
Pensions and gratuities to teachers	101,499
Annual grants	5,679,641
Grants in lieu of fees	2,640,863
For education of blind, &c.	65,166
Aid grants to local education	2,451,735
Special grants for building	4,700
Special grants to certain local education authorities	135,713
	<hr/>
	11,129,317

The appropriation accounts for 1897-8 gave the following results :—

	£
Pensions and gratuities	34,095
Annual grants	4,546,835
Free grants for day scholars	2,240,772
Grants for blind, &c.	17,723
Grants to school boards under special Acts	141,997
	<hr/>
	6,981,422

Broadly, it may be said that all legislation of the last few years has tended to increase the burden laid upon the Treasury. Whatever the object of the particular Bill, whether to appease the Church or satisfy the Nonconformists, whether to "co-ordinate education" or "strengthen popular control," the financial effect has always been the same, and the sums demanded from the taxpayer have constantly risen. Unfortunately, expert knowledge of education and expert knowledge of finance are not often found in combination, and the greatest enthusiasm for educating the young is often accompanied by an utter carelessness of the money of the taxpayer, and we actually find a proposal put forward for adding out of the Exchequer a certain proportion of anything that a local authority decides to spend on education. In other words, the local man is to be given a blank cheque on the Treasury, and may squander any amount of taxes so long as he squanders

the rates in a fixed proportion. This suggestion is *prima facie* so wild that no responsible official could entertain it for a moment, but it illustrates well enough how financial interests are allowed to go to the wall in a three-cornered fight between the experts and the religious extremists. The Estimates for the current year show that the expenditure in grants to elementary schools is to be more than in 1907-8, and the following are the figures sanctioned by Parliament for 1910-11 :—

	£
Pensions and gratuities	138,780
Annual grants	5,891,400
Grants in lieu of fees	2,700,000
For education of blind, &c.....	81,000
Aid grants to local education	2,495,000
Special grants to certain local authorities	200,000
Special grants for building	5,000
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	11,511,180

Apart from these grants made directly for the support of elementary education, we have to consider the grants given to training colleges for elementary teachers. Compared to the cost of keeping up the schools, this is not a very large item, but it has grown proportionately at a great pace during the last ten years, and—as we must always remember—the money spent on these institutions is not accompanied by as much public control as is exercised even over non-provided elementary schools, and it is not altogether satisfactory to find that it rose between 1897-8 and 1910-11 by well over 200 per cent., the exact figures being as follows :—

	£
1897-8. Annual grants to training colleges.....	166,809
1910-11. Maintenance grants for training colleges and building grants.....	590,000

It is obviously important that teachers in elementary schools should have the best possible training the nation can provide ; but it is very desirable that the

spending of the nation's money for this object should not be left to irresponsible bodies who are allowed to impose religious tests on those admitted to the colleges of the various denominations.

The figures that have been given in the above tables show that the cost of public education is enormously greater now than it was ten years ago, and that, unless the growing generation is mentally far better equipped now than then, there has been a serious waste of public funds. Whether we are really getting our money's worth out of the local authorities and the elaborate system that has been built up since 1897 is a question that cannot be decided by figures ; but there are certain considerations that ought to be taken into account, and we would suggest that much may undoubtedly be done to ensure greater efficiency and prevent leakage. The Treasury should secure that grants are more strictly earmarked for the benefit of the child. At present there is a vast amount of waste in unnecessary luxuries, in the building of ornamental palaces, in the multiplication of clerks, inspectors, and so forth. The regulations of the Board of Education offer a rational method of economising grants and increasing the efficiency of the schools ; the grant for any school may be diminished wherever there is inefficiency ; this power might be freely used ; it should, in fact, be a rule of the Board to penalise in this way a considerable percentage of the schools ; such pressure on the worst 25 per cent. would quickly improve them, and would, at the same time, set free a very substantial sum of money ; but these powers are not used. Gradually all the old safeguards for efficiency and economy have been swept away, and the Board of Education pays less regard to those which it has perfunctorily inserted in its voluminous codes. A Departmental Committee was appointed by the Treasury a

few years ago to inquire into the proper relations to be established between the taxpayer and the ratepayer ; but it was quietly suppressed, and made no recommendations. The first principle determining contributions by the Imperial Exchequers should be to secure by statute a fixed and certain contribution towards the education of every child ; and secondly, a substantial supplementary contribution towards the additional cost thrown on any district by its poverty, its superabundance of children, its low rateable value, or its high cost of living ; and thus secure to each locality that minimum income which is essential. After that the locality which desired to spend its own money in improving local education should be free to do so. We hope that the Parliament of 1911 will forget the " religious difficulty " for a short time and undertake a drastic overhauling of the Board of Education and of its financial methods as part of a general plan of public retrenchment.

FOREIGN AND COLONIAL.

The next class shows a considerable increase in expenditure, and the figure for the current year may not fall short of that for 1907, if heavy supplementary Estimates are added to those already given. The chief items are as follows :—

CLASS V.—FOREIGN and COLONIAL.

SERVICE.	1897-8.	1907-8.	Estimate for 1910-11.
	£	£	£
Diplomatic and Consular Services	449,464	544,004	613,814
Uganda, Central and East Africa Protectorates, and Uganda Railway	246,463	..	..
Colonial Services	355,364	1,396,310	1,147,759
Cyprus Grant in Aid	40,000	50,000	40,000
Subsidies to Telegraph Companies	67,100	51,724	61,247
Total (including other expenditure) . .	1,160,212	2,042,364	1,862,190

The larger part of the expenditure under this head arises from the practice of subsidising the colonies with the British taxpayers' money. In the days of Palmerston, Gladstone, and Disraeli British colonies became self-supporting, and consequently a source of strength to the mother country. That boast can no longer be made as regards many of the colonies. Even colonies so long established as Jamaica and the other West India Islands constantly receive assistance from the Imperial Exchequer, while the newer colonies in East and West Africa are a cause of a very heavy expenditure. The defence usually put forward for this expenditure, at any rate in the case of Nigeria and East Africa, is that the present outlay must be regarded as a capital investment, but no attempt is made to keep a capital account or debit the colonies with the money expended upon their development. For example, in the case of the Uganda railway, which is now beginning to yield a revenue in excess of working expenses, the whole of the excess is handed over to the East African Protectorate, while the British taxpayer still continues to provide the whole of the interest and sinking fund upon the capital invested.

SUPERANNUATION AND NON-EFFECTIVE SERVICES.

The first item in this class is a result of the serious growth in the *personnel* of the Civil Service. Every person added to the Government service, whether civil or military, is a person withdrawn from the productive and revenue-producing classes, and added to the great army of those who live upon and swell the taxes. The item of Savings Bank and Friendly Society deficiencies is swollen by the sum paid on account of the Post Office Savings Bank, which pays a higher rate of interest on deposits than is justified by the low return obtained from its investments. This efficiency, which was

£11,600 in 1897, amounted to £120,000 in 1907, an enormous increase in the subsidy paid by the Government on the savings of the working man.

CLASS VI.—NON-EFFECTIVE and CHARITABLE SERVICES.

SERVICE.	1897-8.	1907-8.	Estimate for 1910-11.
	£	£	£
Superannuation and Retired Allowances	538,375	648,169	768,598
Pauper Lunatics, Ireland	137,511	..	16,941
Savings Banks and Friendly Societies' Deficiencies	46,324	143,593	66,061
Total, including other grants	747,639	810,377	853,019
Add Old-age Pensions.....	..	..	9,220,000
Total estimate	747,639	810,377	10073019

Old-age pensions are included in the Estimate, but it is impossible to say at present whether the sum allowed will be sufficient to meet the additional cost caused by the removal of the pauper disqualification. The device of using the organisation of the Post Office for distributing the pensions is an excellent one, and and has reduced the administration expenses to a very low figure.

MISCELLANEOUS.

The payments under this heading have increased considerably during the last ten years, but it will be seen that a great part of the addition is under the two heads—Irish Development Grant and the British Development Fund. The Estimates for the coming year, exclusive of this latter fund, show a reduction, but they include no provision for the unemployed, and it will also be observed that the Estimates for temporary commissions and miscellaneous expenses are very low. Presumably there will be something in both these classes in the supplementary Estimates. A sum of

£43,000 has, in fact, already been added to cover the funeral expenses of the late King.

CLASS VII.—MISCELLANEOUS.

SERVICE.	1897-8.	1907-8.	Estim'te for 1910-11.
	£	£	£
Temporary Commissions	31,624	60,301	39,000
Celebration of the Sixtieth Anniversary of Her Majesty's Reign	76,408	..	..
Land Tax Redemption	100,446	..	..
Irish Development Grant.....	..	185,000	191,558
Expenses under Unemployed Work- men's Act, 1905 .....	..	148,143	..
Grant to Earl Cromer .....	..	50,000	..
Miscellaneous Expenses .....	..	..	11,054
Repayments to the Local Loans Fund.	..	..	2,412
Government hospitality .....	..	..	10,000
International Exhibitions .....	..	..	54,250
Development Fund .....	..	..	400,000
Prince and Princess of Wales (visit to South Africa) .....	..	..	40,000
Total	355,859	512,707	748,274

The sum for Temporary Commissions (almost the only permanent item in this list) shows a very large proportionate increase, viz., £60,300 in 1907-8, compared with £31,624 in 1897-8. This item is one of those small leakages which because the sum involved does not run into millions often escape notice. There is very little control over the expenditure of these temporary commissions, for they are usually left to determine more or less the extent and scope of their own inquiry, as the terms of reference are often vague. The recent Poor Law Commission, for example, is a case in which, though the members are unpaid, money has been spent very lavishly. Yet the report has been described by an ex-President of the Royal Statistical Society as still-born so far as epoch-making legislation is concerned. If the Commission

had been less ambitious, had taken more time, and presented reports at intervals on special subjects, there would have been a much better chance of legislation on the lines proposed, and the reports would certainly have been more widely read. The Poor Law Commission had spent up to March, 1908, the sum of £20,000, the previous year's expenditure being a sum of £11,300. Its subsequent expenditure has added an additional £10,000. The Canal Commission is another spendthrift body, which since 1908 has run through £120,000, of which travelling expenses account for £2,000. No one would wish to deny that these temporary commissions often do good service to the nation. The mere possibility that the Tuberculosis Commission may do something to check the ravages of that disease is perhaps worth the £57,000 which has been spent by the Commissioners, while the evidence collected by the Poor Law Commission will have much value for future workers on social matters. The point to which attention should be drawn is the absence of any real control, and there is much to be said for the policy of not giving the Commissions a free hand, but of assigning a given sum to be spent in the investigation of a particular subject. If no result has been reached when that sum was spent the Government would have an opportunity of considering whether the work done by the Commission was likely to be fruitful or not, and if the decision were in favour of the Commission a further sum could be assigned to the Commissioners. But perhaps those in authority find a Royal Commission the easiest, if not the cheapest, means of keeping busybodies quiet and sending enthusiasm to sleep.

REVENUE EARNING DEPARTMENTS.

Of the items included under this head, the Post Office alone shows a large increase. The Customs and Inland Revenue Departments, on the other hand, have not

advanced out of proportion to the work entrusted to them, though it would seem that the creating of a separate department for Customs, and the necessary reduplication of the staff involved, together with the organisation of new officials required by last year's Budget, will cost the country some £350,000.

VIII.—REVENUE DEPARTMENTS.

	1897-8.	1907-8.	Estimate for 1910-11.
	£	£	£
Customs.....	845,191	949,387	2,230,400
Inland Revenue	1,818,642	2,275,184	1,324,000
Post Office.....	7,602,564	17,619,010	19,828,256
Post Packet Service	746,757		
Post Telegraphs	3,251,855		
	14,265,009	20,843,581	23,382,656

As regards the Post Office, the accounts must be taken on both sides. The figures of revenue for the years 1909 and 1897 compare with the expenditure as follows :—

	Revenue. £	Expenditure. £
1897-8	15,180,000	11,601,000
1909-10 (Estimat.)	23,626,000	19,846,000

It will be seen that the profit earned by the department for the relief of the taxpayer has increased from £3,579,000 in 1897-8 to £3,780,000 in 1909-10, and if this growing profit were earned in the ordinary way of business it would be satisfactory. But it is necessary to remember that the Post Office is endowed with a monopoly, and that the profit earned arises exclusively from the collection, conveyance, and distribution of penny letters. That service costs considerably less than a penny per letter, and part of the cost must, therefore, be regarded as a tax. It is a very good tax, as taxes go, but its yield should be

judged like the yield of other taxes, and no Chancellor of the Exchequer ought ever for a moment to admit that because this tax yields a considerable revenue, therefore the Post Office is justified in indulging in needless or unprofitable expenditure. This, however, is what is in practice done. The administration of the telegraphs by the Post Office involves the nation in a heavy loss of not less than £1,000,000 a year, and while the Postmaster-General still underpays some of his servants, he places a heavy burden on the taxpayer by overpaying others, and, also, it would seem, in the case of telegraphs by undercharging consumers, especially newspapers, for messages. The Post Office, in fact, while professedly working as a commercial concern, is a little too apt to be run as a political machine, and the taxpayer has to find the money.

CHAPTER V.

ACCOUNTS AND RETRENCHMENT.

IT may be useful to add something as to the different modes in which the national accounts are presented. There are, as might be anticipated in a subject so vast and complicated, many pitfalls for the unwary investigator, and although our system of Parliamentary and constitutional finance, built up under Pitt, Peel, and Gladstone, is probably on the whole a model for imitation, it is still susceptible to improvements, as Mr T. G. Bowles (one of the few independent and competent critics) is never tired of showing. He has already been instrumental in preventing some attempts, notably by the Army Council, to weaken Parliamentary control, and he has recently persuaded Mr Asquith to institute some important and valuable changes in the exposition of our expenditure. We may refer by way of illustration to one example of a Public Return:—

The Fowler Return is intended to show “the true cost of the Imperial Government so far as it falls on the general taxpayer or the community at large.” For this purpose receipts under the head of Post Office, sales of stores, obsolete vessels, &c., are deducted, and thus a total expenditure of only £137,317,044 is arrived at. But our whole expenditure, without any deductions or omissions, including all expenditure out of loans, all grants in aid to local bodies, all appropriations in aid from sales by departments, as well as all the issues from the Exchequer, amounted, as Mr Bowles has shown (subject to final adjustments in the appropriation accounts), to a grand total of £166,351,663 for the financial year 1907-8.

One of the consequences of official exclusions is that plain people do not fully understand the financial situation. Thus, for example, the growth of expenditure out of borrowed money for works and other capital pur-

poses between 1895 and 1905 was enormous, yet was concealed from view. At the end of the period it had practically obliterated the Sinking Fund. By curtailment and nearly extinguishing the system in regard to unproductive military and naval works, Mr Asquith has restored the Sinking Fund to full operation, and has extinguished in three years an unprecedented amount of public debt. One of the results is that, while the disastrous nature of our finance from 1895 to 1905 was by no means fully realised, because it was not properly expounded and elucidated in the Budget and in the Estimates, the improved position of affairs since that time has also been to some extent withdrawn from observation. Mr Asquith, however, as Chancellor of the Exchequer, gave the true figures of our unproductive expenditure, and the following tables compiled by Mr Bowles* throw statistical light upon the whole matter:—

The ARMY AND ORDNANCE Expenditure was:	In 1904-5.	In 1905-6.	In 1906-7.	In 1907-8.
	£	£	£	£
1. According to—				
(a) Budget Statement at end of the year				
(b) Finance Accounts.....	29,225,000	28,850,000	27,765,000	27,115,000
(c) Statistical Abstract; and				
(d) Public Income and Expenditure Return.....				
2. According to Fowler Return	28,238,476	28,041,449	26,878,177	26,187,188
3. According to Appropriation Accounts.....	33,411,841	32,043,809	32,072,563	uncompleted.
4. According to Mr Asquith, March 2, 1908	36,300,000	32,800,000	32,050,000	30,691,000
The NAVY Expenditure was:				
1. According to—				
(a) Budget Statement at end of the year				
(b) Finance Accounts.....	36,830,000	33,300,000	31,434,000	31,141,000
(c) Statistical Abstract; and				
(d) Public Income and Expenditure Return				
2. According to Fowler Return	36,202,213	32,284,188	30,319,023	29,926,597
3. According to Appropriation Accounts.....	38,293,738	34,861,442	33,262,649	uncompleted.
4. According to Mr Asquith, March 2, 1908	41,400,000	38,200,000	36,000,000	34,750,000

* In his "National Finance" in 1908. T. Fisher Unwin. is net.

THE PATH TO RETRENCHMENT.

There are an enormous number of difficulties in enforcing public retrenchment. First of all, there is the relation of Ministers to the House of Commons, and next there is the relation of public servants and experts to Ministers.

1. What is to be done when Ministers play the confidence trick on learning that their supporters are not only pledged to economy, but desire to redeem their pledges? The question may be answered by a reminiscence. On the Army Estimates of 1790, showing an increased peace establishment, Grenville and Pitt asked that the increase should be voted without argument. Full confidence, they said, should be placed in Ministers owing to their knowledge of the real situation of affairs, "the exact state of which it frequently happened that they could not disclose without violating the constitutional and political secrecy necessary to the well-being of their country." To which Burke replied: "Confidence may become a vice and jealousy a virtue, according to circumstances. Confidence of all public virtues is the most dangerous, and jealousy in a House of Commons of all public vices the most tolerable, especially where the number and the charge of standing armies in time of peace is in question." The most ancient and important function of the House of Commons is that of guardian of the public purse. In regard to finance it is supreme, and cannot delegate its functions without being false to its trust. With a great part of the Press (utterly ignorant even of the connection between expenditure, taxation, and public credit) hounding on Ministers to extravagance and denouncing economy as if it were a crime, this duty is more urgent and imperative than ever.

What of the second obstacle? An utterly unconstitutional and impossible doctrine has been promul-

gated of late that the servants of the State, civil, naval, military, ought to have a determining voice in the expenditure. There is a Board of Admiralty and an Army Council in which expert officers sit to assist the First Lord and the Secretary of War. But they have not and cannot have any sort of constitutional responsibility for the expenditure. Responsibility for the expenditure is that of the Minister to the House of Commons. Admirals and generals and civil servants in administrative positions are responsible to their Parliamentary chief. They can help him to allocate the money which the Cabinet, subject to the wishes of the House of Commons, is willing to put at his disposal. Their business is to employ it economically and to the best advantage. They are entitled to resign, and they ought to resign if they find that they cannot be of use. But they are guilty of very improper conduct if they resign or threaten to resign on questions of policy and of expenditure. If they wish to share in the national policy they should stand for the House of Commons. If the Government wishes to be ruled by its experts it should admit them to the Cabinet. The new type of expert adviser who has one foot in the Admiralty or War Office and one in a newspaper office is not merely a nuisance: he is playing a disloyal and unconstitutional part. It is not the game. There is no necessity for anyone to join Government service, accept Government pay, and retire on Government pensions. But if he does these things let him accept the consequences like a man, and not go about from newspaper to newspaper or from platform to platform abusing this Minister or that Minister and expounding public policy as a partisan. If he wishes to be a politician let him abandon his pay or his pension, and meet his opponents fairly and squarely. There is a great field of usefulness for ex-

perts ; but it is a field which has certain bounds and limits ; and there have been far too many trespassers of late.

TAXATION AND ARMAMENTS.

In consequence partly of the growth of armaments, partly of increased expenditure on the civil services and education, partly of the cost of old-age pensions, a considerable amount of taxation imposed by the late Government during the Boer War still remains upon the shoulders both of the rich and the poor taxpayers. The present Government has made some modest reductions both in the income-tax and the sugar duties, but on large incomes the income-tax is still, with a rebate on earned income, at the war rate of one shilling and twopence in the pound. Under these circumstances, it is not surprising that Lord Avebury and a number of leading men, representing the interests of the City and of capital engaged in industry, shipping, &c., recently presented a petition to the Chancellor of the Exchequer urging "that the income-tax should be kept within narrow limits in normal times, so that its efficacy for raising additional revenue in times of emergency may not be impaired." Unfortunately, the Government is surrounded by a clamour for more expenditure, and those who plead for low taxes in time of peace do not seem to realise that they must also support the Chancellor of the Exchequer on questions of expenditure. Low taxes in time of peace are impossible if the establishments are maintained on a war footing, and all the other services receive increased grants. Thus in response to a campaign of the Navy League, an addition of nearly four and a-half millions has been made to this year's naval Estimates, and there are rumours current of further increase next year. If such demands are granted in addition to old-age

pensions (and old-age pensions, be it remembered, were passed with the support of both parties, and without evoking an expression of dissent from any leading member of the House of Commons), it is perfectly clear that additions to the income-tax (which is the war tax *par excellence*) will become inevitable, and such additions will fall in all probability mainly upon large incomes.

In these circumstances, the inquiry naturally suggests itself, whether there is or ought to be any limit whatever to the sums expended upon the Navy and the Army. Probably most of our readers would agree with us that there are limits, and we certainly agree with them, and with practically everyone of our countrymen, that our naval supremacy must be maintained. Therefore, in every discussion of the question, we have a common ground of agreement. The differences which arise are differences of degree. Thus, everyone holds that the British Navy ought to be stronger not only in skill, bravery, and efficiency than the German or the French, but also in battleships, cruisers, torpedo-boats, submarines, &c., and in the number of its sailors. On the other hand, there is probably nobody outside a lunatic asylum who would seriously contend that the annual expenditure on the British Navy ought to be thrice as much as the present annual expenditure on the German Navy. Anyone who thinks so would be committed to the proposition that instead of spending as we now do about forty millions sterling on the Navy, we ought to be spending about sixty millions sterling. This would be far more than the combined yield of income-tax and estate duties, which amounted last year to 34 and 18 millions sterling respectively. In seeking to approach this subject through the avenue of common sense it may be worth while to recall the views held by our

ancestors, and their standards of public security. We will rely only upon four or five men whom the most extravagant newspaper warriors of the present day profess to regard as their masters and prophets. Our witnesses shall be William Pitt, the Duke of Wellington, Palmerston, Russell, and Disraeli.

In questions of finance action is far more eloquent than words ; and Mr Pitt's plan in the ten years' period of peace, 1783-1793, which intervened between the American and the French war, was "to bring the expenditure of the Army and Navy to the very lowest practicable point." These are Lord Grenville's words, and the same statesman, when recalling all the circumstances in 1816, told the House of Lords that Mr Pitt, in discussing the subject afterwards, always expressed himself "in terms of self-congratulation and conscious satisfaction, that he had, by the most scrupulous economy at that time, enabled the country to meet that dreadful period of trial which it had afterwards to encounter." Lord Grenville was further convinced that "if Mr Pitt were now alive, he would have anxiously enforced the propriety of a low military expenditure at this period of peace." Mr Pitt, the greatest of War Ministers, at a time when there were constant dangers of European complications, and when Governments were far more ready to rush into war than they are now, fixed the annual expenditure on the Army at £1,800,000, and on the Navy at £2,000,000. This was, indeed, thrift, as Lord Rosebery, Pitt's biographer, and thrift's latest eulogist, would be the first to claim.

The Duke of Wellington was the leading member of Sir Robert Peel's Cabinet, Commander-in-Chief of the Forces, and trusted adviser of the Government on all questions of defence from 1841 to 1846. That again was a period of peace, though there were constant

alarms about a French invasion. The policy of Sir Robert Peel and the Duke of Wellington was to maintain the Navy and the naval expenditure of Great Britain at a level about 50 per cent. above that of the French, and when either Government made a small addition or diminution in its naval budget, a corresponding addition or diminution was usually made by the other. No doubt as the Duke grew older he became more timid, but he never seems to have been afraid of making himself responsible either as Cabinet Minister or as Commander-in-Chief for the defence of his country from the greatest military Power in the world, and our nearest neighbour, so long as our Navy was maintained in the proportion of three to two as against the Navy of France. The case of Lord Palmerston is equally significant. He was probably the most bellicose and Imperialistic of all our Prime Ministers. He was constantly interfering in Continental affairs, and not seldom made himself highly obnoxious to other great Powers. He often welcomed sensational pamphlets written by military and naval men, and professed to share with them from time to time the belief that France was preparing to invade this country. Nevertheless, during all the time that he was Minister, the ratio of military and naval expenditure as between Great Britain and France remained much what it had been from 1816 onwards. There was initiated under his auspices what would now be considered a small, a very small, fortification scheme; but in the last years of his Premiership our naval and military expenditures were considerably diminished. Lord John Russell, the other great Whig statesman of that time, who was very far from a peace-at-any-price politician, held very strongly to Pitt's doctrine. "It is by moderate establishments," he declared, "by rendering such establishments good and

efficient, by attending to everything which cannot easily be originated or replaced ; it is by such a system, and by relying on the greatness of the country and on the spirit of our people that you will be most formidable in war, and not by any new-fangled system of increased Estimates during a time of peace." He pointed out that the Crimean as well as the Napoleonic wars illustrated the soundness of this, the traditional policy of Great Britain.

Lastly, there is the example of Mr Disraeli, who led the Conservative party for so many years with such brilliant success, and may fairly be regarded as the joint founder, with Lord Palmerston, of modern Imperialism. In 1857 Mr Disraeli initiated an attack upon Lord Palmerston's Government for having failed to effect an adequate reduction in the military and naval establishments after the Crimean War. Mr Disraeli was supported by Lord John Russell and Mr Gladstone in the House of Commons, and their attitude was endorsed by the *Economist*. Afterwards as Prime Minister of England, with Sir Stafford Northcote as his Chancellor of the Exchequer, Lord Beaconsfield pursued the traditional policy which we have outlined, and, except in time of actual war, establishments were maintained at a very moderate level. The maxim of this great Tory was : "The more you reduce the burdens of the people in time of peace the greater will be your strength when the hour of peril comes." To brand as unpatriotic those who agree with the Duke of Wellington, Palmerston, and Disraeli rather than with a coterie of excitable journalists and experts, who know and care nothing about the financial and the commercial interests of the country, is surely rather foolish. The truth is that with a moderate reduction in establishments and the application of economical principles in place of extravagance at the Admiralty and

War Office, we can maintain a much higher level of security and a far more complete predominance at sea than our military and naval heroes of the past, our Nelsons and our Wellingtons, ever thought necessary. From the standpoint of the national existence, safety, and prosperity, we should prefer the plan of Pitt, Wellington, Disraeli, and Palmerston, together with an income-tax of ninepence, to what has been well called the Spanish Armada policy of the present greatly advertised Board of Admiralty.



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